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JUNE 11, 1932

Is Market Readjustment Nearing Completion?

By A. T. MILLER

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Platforms and Candidates—What They Mean to Business

By

SIMEON D. FESS

JOUETT SHOUSE

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Economic Recovery Without Major Price Advance

By LAURENCE STERN

C. G. Wyckoff
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WITH THE EDITORS

Shall We Give Up Without a Fight?

IN income, wealth, national resources and potentialities for growth the United States is the richest country on earth. Its people are intelligent, sturdy, vigorous, resourceful. Nowhere in the world is there another land or another people of such unlimited opportunities. Given these circumstances, one would expect depression to bear lightly upon us or at least that we endure it with fortitude and meet its problems with promptness and common sense. Instead we have amazed the world by our dilatory tactics and our resort to all manner of desperate polliatives which give little weight to future costs.

It may be that years of over-abundant prosperity and easy growth have spoiled us and weakened our moral fiber. Not only do we face economic adversity with poor grace. We face it with fear, confusion and ineptitude. It finds the most resourceful of all peoples without recourse other than to a blundering series of shallow expedients. It finds us dodging and evading our problems, hoping that the morrow will bring a magic solution that we haven't the wisdom or the backbone to work out. It finds local and class interests and prejudices supreme; and unselfish, truly national patriotism at low ebb. Surrounded by world problems, the attitude of the world's greatest country is, "Let George do it."

America, land of opportunity, has become the land of the petty politician and the racketeer. Nowhere else do they have so happy a hunting ground. No doubt there are statesmen among us, but they do not choose to run for office. Why should they? Politics, in the minds of many, has become a shabby calling. Where it is not begrimed by actual graft and dishonesty it is smudged by hypocrisy and self-seeking demagogy. Honest, fearless, capable public leadership is something we have not had in so long that the average American probably has forgotten what it is.

To rail at the politicians, however, is useless. The fault is ours, for we elect them. We have lived through an era of soft comforts, easy money and loose responsibilities. We have made chasing the almighty dollar our main end in life. It is no wonder that our former political and social standards have tended to disintegrate, that so many of our municipal officials are mere looters and so many of our people act on the principle that the law, almost any law, is meant for the other fellow.

Are we going to give up? The answer is no! Somewhere deep within us sleeps the spirit of honest, rugged American individualism; the spirit that makes men meet their problems without whining; the spirit that confronts adversity with both hope and ingenuity. If a return to hard times will reawaken this spirit, restoring to us a national leadership, a national conscience and a national sense of human responsibility, the losses of the depression will have been worth their cost.

In the Next Issue

Is Business Seeking a New Normal at Lower Levels?

This story will throw an important light on current and prospective corporate earning power which will afford a study of basic industries and leading corporations which will prove of utmost value.

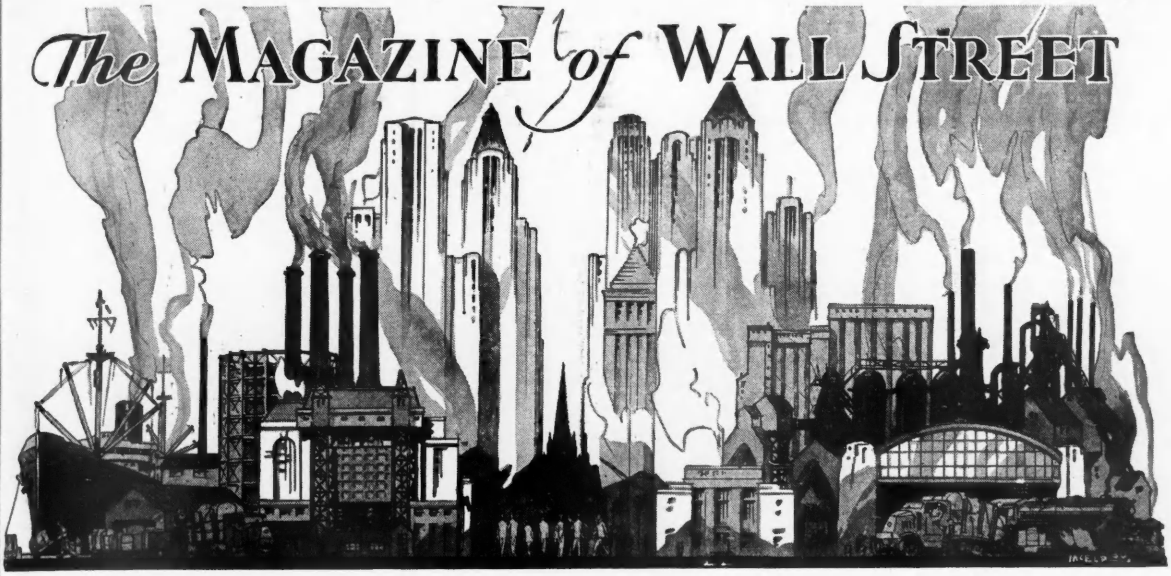
By JOHN D. C. WELDON

United States Alone of All Nations Will Be First to Achieve Recovery

Contrasted with Great Britain, France and Germany

By CHARLES BENEDICT

This issue will contain a special PUBLIC UTILITY SECTION. This section will include an article entitled "Public Utilities Today and Tomorrow" by George Otis Smith, chairman of the Federal Power Commission. It will discuss the effect of lower rates on utility earnings. It will reveal the current position of natural gas and will present a most unusual and practical statistical compilation of all leading public utilities showing their progress during depression and affording the data by which their investment standing can be easily appraised.



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Publisher

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Associate Editor

Investment and Business Trend

Great Changes Impend—The German Giant Turns—The Latest Inflationary Proposal—Congress Does Its Duty —New Hope for the Markets—The Market Prospect

GREAT CHANGES IMPEND

THREE years ago most Americans were convinced that the capitalistic economic system had completely demonstrated its superiority to socialistic systems. Europe, long leaning toward piece-meal socialism, had become dubious as to the wisdom of its course. Today people talk glibly of the failure of capitalism, and conversationally agree that profound changes in the politic-economic frame of society are inevitable. Three years of poverty in the midst of superabundant material wealth have caused even the most conservative to meditate on the necessity of economic reconstruction.

In Europe, state socialism under whatever guise has made great forward strides. This progress has generally taken the form of a concurrent change in the nature of government. As the state becomes more of a business institution it has become more of a business organization. Parliamentary government is in decline and strong executives are becoming the fashion.

While democratic sentiment is still at high tide in the United States events of recent years have resulted in a great turn of public opinion toward more authority for government in economic matters. Every class, from the pitiful man without a job to the hitherto haughty banker, scoffing at government in business, has turned to the government for help. In many instances direct government interference in business affairs has been implored. Several great industrial groups see no salvation for themselves without some sort of alliance with government.

The expansion of governmental control throughout the world over international trade, accompanied by the perfection of instantaneous communication, makes for the curtailment of individual capitalistic functions. When governments begin to reduce foreign trade to virtual barter under their direction, supply capital to each other, and command the foreign activities of private capital the field of the international banker begins to narrow.

No doubt the swing toward the socialized state is emphasized by the exigencies of the times, and we shall recover from it as we did from the socialization of business control during the war. But much of the new inclination will remain. In the coming recurrence of prosperity independent capitalism will have to solve the problems of distribution of wealth and maintenance of economic equilibrium, as it already has conquered

the difficulties of adequate production and transport or yield its present independence to a large degree of state domination. As yet there is nothing in experience to show that the state can do as well in any economic field as private capital. In production and administration of industry the state has lamentably failed. But the masses are only concerned now with the current colossal fiasco of individualistic economics. They are in a mood for "bold experimentation." There will be some.

THE GERMAN GIANT TURNS

THE forced resignation of the Bruening government marks the end of the control of Germany by the Republican parties. The appointment by President von Hindenburg of a nationalistic cabinet of "national concentration" may mark the virtual passing of the German Republic. There may be something like a coup d'état and the seizure of power by the old nationalistic elements or the equally nationalistic Nazis may come into control. Being apparently without any hope of support the Reichstag has been dissolved and a de facto dictatorship established. New elections are imminent. The German people are ready for almost any change. A militaristic revolution, even though representing the will of a small minority, would probably be acclaimed once it succeeded. Even Nazi usurpation, contrary as it would be to the common sense of the people, would be accepted in a mood of desperate resignation. Germany has reached a stage of political and economic disintegration when all considerations of financial obligation and treaty commitments are apt to become for the time being as immaterial as personal appearance to a man fighting for his life. She can expect little help from her neighbors. When a wolf falls the pack rend him. Europe never changes. Now, as a hundred years ago, a stricken nation must save itself or perish.

THE LATEST INFLATIONARY PROPOSAL

IF we must have inflation, which is certainly open to grave doubt, there is much to be said for the bill offered by Senator Glass as a substitute for the much criticized Goldsborough Bill. The latter bill set an impossible goal, seeking to order the Federal Reserve Board to lift commodity prices back to the level of 1926. Senator Glass proposes, in effect, an extension of our present currency system by permitting national banks to issue currency backed by Government bonds. This would involve no revolutionary change, since part of the currency we regularly use has long been issued by banks on the basis of certain special issues of United States Government bonds. If every bank exercised to the limit the privilege proposed by Senator Glass the additional amount of money placed in circulation would probably be slightly more than 1 billion dollars. In the public's prevailing mood of uncertainty and fear, it is to be doubted that this increase would actually achieve any important inflation of prices. Moreover, it is likely that most of the banks best situated to issue the new money—because of the extent of their capital and of their ownership of Government bonds—would be least inclined to take advantage of the opportunity, since they are generally in a highly liquid position. As for the broader effects of this or any other inflationary remedy, Senator Glass himself has expressed the opinion that no artificial expedient will end the depression.

CONGRESS DOES ITS DUTY

IN a fit of action the Senate suddenly achieved at least a technical balancing of the budget on the positive side and the next day the conferees of the two houses agreed. The negative or general economy side was not so expeditiously disposed of. But whatever may happen in the next two or three days it is certain that the budget for 1933 has been balanced in effect. Uncle Sam has done his bit. He ought to have done it four months ago to avoid the international difficulties which the long delay has occasioned. Publicly and privately the country is now down to rock bottom. The froth of the great bull era has been dissipated. America is now not only facing realities but dealing with them. We have had our illness and we have swallowed the bitter medicine that will make us whole again. Now let business, which has been berating Congress, show what it can do!

NEW HOPE FOR THE MARKETS

FORMATION by leading banking institutions of a $100,000,000 corporation for the purpose of "acquiring sound investments in the security markets" has with magical speed shaken off the black pessimism which so recently gripped the bond and stock markets. This added stimulus, coming on top of the progress which Congress has made in its effort to balance the Federal budget, has brought about a notably fast recovery in bond prices and sympathetic rally in stocks.

It is a far cry between this project and the banking pool which sought to keep the stock market from getting out of hand in 1929. The avowed purpose is not to stabilize the bond market but to make money for its participants. If the judgment that sound securities are now cheap is correct, and no "unloading" of burdensome issues onto the public is attempted, the corporation will make profits; and if it make profits the bond market will be stabilized and hope will inevitably spread into stocks.

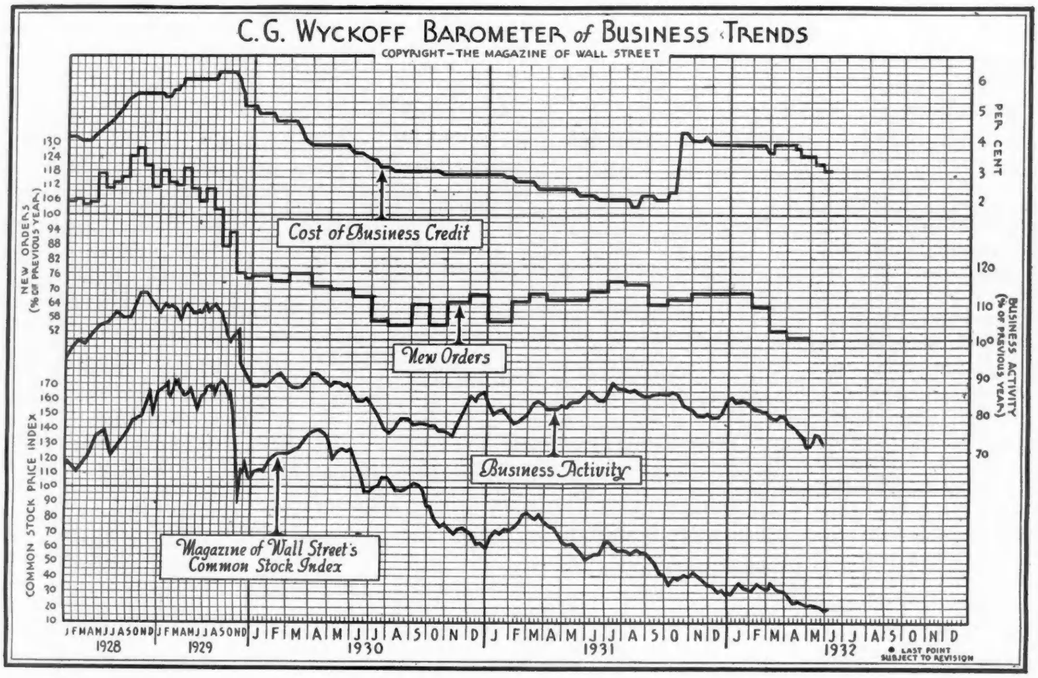
THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 200. The counsel embodied in this feature should be considered in connection with all investment suggestions elsewhere in this issue.

Monday, June 6, 1932.

Taking the Pulse of Business

No Improvement Yet in Evidence



THE Barometer this week appears to present a somewhat less encouraging picture of basic conditions than is perhaps justified by recent intangible developments of more promising import. The organization of regional committees of prominent business men and bankers throughout the country to promote concerted action in breaking the credit deadlock is a practical measure from which constructive results may be expected after confidence in the dollar, both at home and abroad, has been restored through enactment of legislation to balance the budget by Government economies and adequate taxation. The continued slow recession in our Cost of Business Credit line, despite heavy exports of gold, indicates that banks in the larger cities now have ample funds to finance their share of a business revival, when and if they choose to relax the tight rein they have held on credit, and it is doubtless in recognition of this fact that Federal Reserve purchase of United States securities last week fell to half of the hundred millions which were taken weekly during the month of April. Small country banks, on the other hand, have benefitted little from the heavy open market operations this year, and are still borrowing about two-thirds of their reserve deposits at the Federal Reserve banks. Senator Glass's proposal to confer circulation privileges upon all Government bonds therefore aims to place new money where it is most needed, and appears to be the least objectionable fiat money measure that has yet been suggested.

In view of the paralyzing apprehension which has crept over the business world of recent weeks in consequence of political dallying with the budget it is scarcely surprising to learn that complete returns on New Orders for the latest point just entered upon our graph reveal a further shrinkage in the comparative rate at which new business was booked by leading industries throughout the country, although the rate of decline was less than for the two preceding months. And so the slight upturn in Business Activity noted a fortnight ago turns out to have been nothing more than a temporary halt in the downward trend. That stocks and bonds should have dropped to record low levels during the past two weeks is therefore quite natural, yet there is a growing conviction that pessimism is being carried to unwarranted extremes, and that short selling ventures are becoming increasingly risky. The recent rally in bond prices may be significant.

Is Market Adjustment Nearing Completion?

Further Weakness Possible But Selling Is Unwise

By A. T. Miller

> ***"While retention of sound holdings is advised, nothing has yet occurred to suggest that new buyers can abandon caution. Accumulation, if carried on at all, should be on a modest, scale-down basis. The risk in such operations can no longer be a major one, but neither is there major risk that investment bargains will suddenly disappear. Recovery is invariably a slower and more arduous process than decline."***

IT appears possible at the present writing that the stock and bond markets may have endured their full share of immediately necessary liquidation and that during the early future some interlude, either of moderate rally or of rest, may be experienced. Such a development would be sufficiently gratifying merely in affording relief and in providing time for a fresh appraisal of the underlying economic position. It can scarcely be expected, at present, to throw any substantial light upon the question of whether we have at last reached the valley of depression and still less light upon the question of ultimate economic revival.

There is no visible change in the basic trend. Corporate earning power remains appallingly low and there is little reason to expect it to move higher during the summer. It probably will move lower. Commodity prices give no indication of an upward reversal. A vast unemployment is unrelieved. Stagnation of international trade is unbroken. It is difficult, if not impossible, to detect anywhere in the picture a hint of potential expansion in purchasing power.

Yet these adversities have been with us so long that they become familiar. They have been discounted to a substantial extent by existing security prices, although it is by no means certain that they have yet been completely discounted. In any event, they do not for the moment present any element of fresh shock for the market and, hence, permit it to turn its attention to other factors.

Since the high point of March, which was established both on the hope of spring business gains and a much too optimistic interpretation of the significance of the Glass-Steagall Act and its effect upon Federal Reserve operations, both stocks and bonds have suffered the most severe percentage depreciation of the entire depression period. In three months a stock market already drastically depressed has been again cut in half.

Many issues have reached the lowest prices ever known, including the country's premier investment stock, American Telephone. Leading industrials are at a level comparable to nothing since 1903. Railroad shares have fallen to literally fantastic levels, with only a minority of preferred or common issues selling above $10 a share. Public utilities have belatedly entered into the general collapse of values, fostered by tax legislation on electric consumption. Nothing could more strikingly emphasize the extent of this depreciation than the establishment of approximately a 12 per cent yield on so recently favored an issue as Consolidated Gas.

As we confront such quotations precedent loses all value and the investor is in an uncharted sea. One is hard put to decide whether the market pendulum has swung ridiculously far in its correction of previous speculative excesses, whether it is now as completely out of touch with the realities of the underlying position as it was in the opposite movement of 1929, or whether, with a composite omniscience not to be argued with, it has in its recent devastating decline forecast deeper depression to come.

The experience of the past, of course, both in economic movement and in the normal fluctuations of human emotion, tells us that a point will come when security prices not only do not accurately forecast a totally dismal future, but actually exaggerate existing adversities. That point will be recognizable only in retrospect. That we are approaching it is mathematically clear, if security prices are not to go literally to zero. That we have yet reached it is by no means certain. In short, the danger of possible losses in stocks—in percentage of investment if not in points—is still large.

Nevertheless, with average stock prices fully 90 per cent under the level of 1929, it would appear to be the part of investment wisdom at present to resist the urgings of fear and, even if commitments be postponed, to concentrate attention upon the more hopeful possibilities. It is late in the day to sacrifice sound securities voluntarily. Those who have carried common stocks throughout a major period of the depression have paper losses so large that a few more points would make little difference. To sell out now in the hope of avoiding further moderate loss can not fail to carry with it an increasing risk of selling out somewhere near bottom.

Anyone who has purchased stocks within the last six

months has substantial losses. It is necessary, of course, to consider these on an individual basis, but where special reasons for selling do not exist, general reasons certainly should not prevail. This position may well prove to be the reverse of that of, say, 1928, when many investors sold out their holdings at handsome prices, only to see the market advance for another year. At the time they had reason to be disappointed. Looking back from the present perspective, they can rejoice. Similarly, many stocks purchased well above present levels undoubtedly will appear in the longer future to have been wisely bought.

But while retention of sound holdings is advised, nothing has yet occurred to suggest that new buyers can abandon caution. Accumulation, if carried on at all, should only be on a modest, scale-down basis. The risk in such operations can no longer be a major one, but neither is there a major risk that investment bargains will suddenly disappear. Recovery is invariably a slower and more arduous process than decline. Those who are unwilling to hazard a guess as to bottom can only hold their funds liquid and await signs of a basic turn. No one will get bottom prices with this policy, but the premium paid could be considered reasonable as insurance against loss.

As a practical matter, it makes little immediate difference whether various securities are selling below their intrinsic values. Psychology plays a large part in making prices in the extreme phase of any cycle and usually at some point loses touch with actual, long-term values. At such a time long-pull opportunities are offered to those who can refrain from worrying over intermediate paper losses, but since public attitude is so important in making quotations the cautious buyer may reasonably pay it almost as much heed as he would factors of earnings and assets.

Realization of the part that fear and necessity are playing in the present markets, however, should aid one in keeping a clear head. No one who permits the prevailing mob emotion to rule him will be able to judge correctly as to the proper moment for reversing investment policy. The judgment of the market is not infallible.

Both in stocks and bonds the volume of current liquidation is relatively light. If there were a normal investment demand it would be easily absorbed. In short, price weakness results as much, perhaps more, from the lack of confident demand as from the pressure of selling. No one should be so foolish as to believe that the bulk of this selling reflects any considered opinion of the economic outlook. It is to be doubted that the bulk of it is even determined by fear.

The fact is that, in the absence of demand, necessary selling can only be accomplished at concessions. In some instances, for example, necessary liquidation of sound bonds has recently proven impossible because of the absence of bids. There was the recent spectacle of a sale of a single railroad bond—a transaction involving some $400—depressing the price by 13 points. Obviously, any number of individuals may find cause to make a sale of this kind to raise needed cash. There is an element of the fantastic in the fact that transactions so small, particularly in bonds and preferred stocks, can establish the market value of a vast total of investments held by banks and other institutions and, in so doing, can contribute to the forced liquidation of collateral loans by frightened banks.

Here we have a purely mechanical reason for low prices, a reason having nothing whatever to do with the outlook. Its existence would appear to justify current suggestions that the banks apply some degree of artificial aid to the investment market for their own protection. Such aid, either through a formal "bond pool" or otherwise, would be valid for the reason that the market itself is largely artificial. Whether it represents an organized effort or not, there is some slight and tentative evidence at present of an increased willingness of the banks to make investments, particularly among New York City institutions.

This support and the improved psychology resulting from it have at this writing produced an incipient rally in bonds. Extension of that improvement probably would do more than anything else to encourage the stock market in coming weeks.

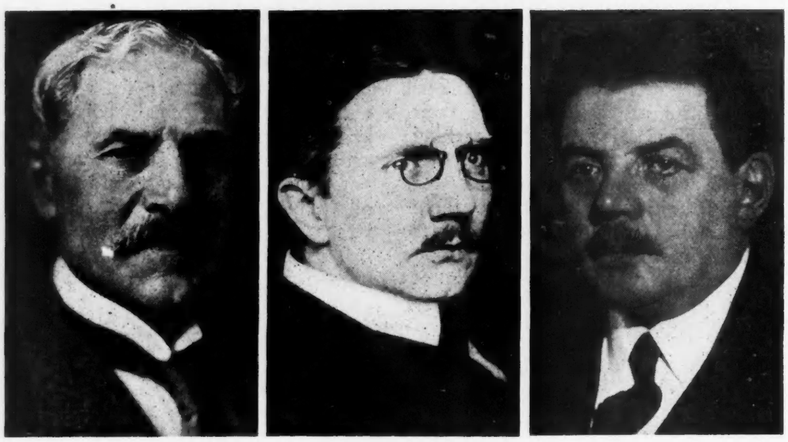
If there is little to hope for in the business outlook of the next several months, neither does there appear to be much to fear. So far as business volume and profits are concerned, it may well prove that more additional adversity is anticipated than will develop. Few individuals look for any significant betterment before autumn at the earliest. Thus, it would be quite possible for the underlying business factors to restrain any market recovery this summer, without giving

(Please turn to page 247)

A Deadlock At Lausanne?

Germany Intent on Cancellation of Reparations and Demanding Elimination of the Polish Corridor—France Staunch for an Inviolable Treaty of Versailles—Impasse Seems Certain—What Will It Mean to the United States?

By THEODORE M. KNAPPEN



Ramsay MacDonald *Hjalmar Schacht* *Edouard Herriot*

The "Big Three" at Lausanne

BEFORE recent events, Germany was approaching the Lausanne Conference in anything but a docile mood. Now she is apparently in a position where she can not be committed to anything.

The retirement of the Bruening cabinet and the appointment of a ministry of "national concentration," headed by Colonel von Papen, together with the dissolution of the Reichstag by President von Hindenburg, produces a new political situation.

As the war nations meet once again to discuss the irrepressible and rationally insoluble problems bequeathed by the war, plus some of recent origin, Germany will be represented by a delegation of inexorable nationalists headed, it is assumed, by Hjalmar Schacht, former governor of the Reichsbank and author of the significantly entitled book, "The End of Reparations." The German delegates may not be able to agree to anything but they will firmly tell their fellow conferees that the time has come to cease talking of the dead past—to bury it and face the present and the future.

Germany will not go to Lausanne hat in hand. So far as her will is concerned reparations is as dead as Rameses II. Lausanne means to her the first move in the nullification of the Treaty of Versailles. She seeks complete emanicipation from its bonds. She insists that henceforth she will shape her national policies according to national requirements, unfettered by the provisions of a document which she was compelled to sign under the sword of the conqueror. The Germans have reached the last stage of endurance. They have 6,000,000 people out of work and other millions on part time. They must *export* a third of the product of their industries to live. But tariff barriers everywhere turn back their exports. A military cordon of economically hostile powers upholds the Treaty of Versailles against them around the circle from the North Sea to the Baltic. Deprived of much of their natural resource wealth by its decrees, they find old trade outlets forbidden and new ones denied.

France blocked the customs union with Austria and forbids economic rapprochement with southeastern Europe. Shorn of her colonies, Germany has no territories to develop as consumers of her products and suppliers of raw materials. Without a new economic empire she must submerge 20,000,000 people in the lowest depths of bare animal existence. A desperate outlook has made a desperate nation. Suicide is rampant, recklessness rules, the future is black. Nothing, the Germans feel, not even war, could be worse. Fascism in fact, if not in name, impends. Communism is in decline. The nation turns to something like the old oligarchic rule of the industrialists and the aristocrats.

At Lausanne the sorely beset German giant, madly writhing in his bonds, will meet a calm, powerful and determined France, standing for the observance of treaties and agreements as the very foundation of all orderly international relations. It is true that it will be a France more sympathetic with Germany's ills than ever before, ready to compromise on reparations, prepared to extend substantial help, but determined to maintain her political supremacy. But now it is no longer reparations that obsesses Germany, she demands complete sovereign freedom. As France relents, Germany stiffens.

There will be one notable absentee when the nations meet at Lausanne on June 16 to consider the state of Europe in general and more particularly what is to be done about, or perhaps only to compose an epitaph for the tomb of, reparations—that heavy fine

for alleged war guilt which has reduced Europe to an economic chaos and has had its repercussions in the remotest parts of the world.

The United States will not be represented, not even by an official observer. From the European point of view this is an almost insuperable obstacle to any definitive decision at Lausanne in regard to reparations. The Europeans hold that all roads to a final reparations settlement lead to Washington by the trunk road of the war debts of the allies to the United States.

The conference immediately results from the reports of the Wiggin and Young Plan advisory committees and Germany's repeated declarations that she can not make further payments of any degree or any kind. Both committees held that Germany's debt burden must be lightened. As the German declaration is generally interpreted as being one of not merely cannot, but also will not pay it would seem that the conference is foredoomed to failure on the main item. This prospect is further strengthened by the political situation in Germany which makes it seem certain that the German representatives cannot agree to anything that is not plainly to the advantage of Germany, and that if they do, the new nationalistic government, which is expected to take hold ere long, will not ratify their signatures. However, there still remains ample subject matter for the conference, if it survives the head-on collision between the fundamental policies of France and Germany. Assuming even that Germany will bluntly refuse to agree to any decision except the total eradication of reparations, there are the problems of what the other powers shall do in that event, first with regard to Germany and, second, with regard to the United States. Unless the allied powers accept Germany's ultimatum and the outcome is not cancellation but repudiation of reparations the Treaty of Versailles becomes a scrap of paper.

The Uncle Sam Nuisance

As to the United States, the Allies will wish to agree upon a common policy. If Germany is to pay no more for an indefinite period what will they do about their political debts to the United States, which all of them have fiscally tied to reparations? If Germany is granted a long moratorium, whether she accepts it or not at this time, will they ask for a corresponding suspension of their debt annuities to the United States? If they conclude that the end has come and that Germany will not pay, will they take a corresponding attitude of repudiation toward their obligations over seas?

Other problems that will come before the conference seem all to be involved with reparations and the larger question of obliteration or a re-writing of the Treaty of Versailles. Among them are the question of the authorization of a Danubian customs union or association of some sort which will aim at restoring the economic entity which disappeared with the annihilation of the Austrian Empire. Something must be done about the impending bankruptcy of Austria. The reduction of armaments futilely discussed for months under the auspices of the League of Nations will be brought up.

The general economic and financial position of Europe will be considered, including specifically the taking of steps leading back to the gold standard and a common approach to a restoration of price levels to something like the 1929 altitude. Both of these last questions obviously have an important bearing upon the central problems of reparations and the war debts of the Allies to the United States. With world commodity prices off 50 per cent from 1929 the reparations burden is doubled as measured by its equivalent in production. So also with the Allies' debts. Suspension of the gold standard in England has added further to the British burden. The automatic increase of debtor's burdens is to the staggering world as a weight thrust upon an enfeebled swimmer.

It will be difficult to avoid a consideration of national tariff policies. All statesmen and economists of Europe are agreed that however much higher tariffs, quotas, import licenses and control of exchange may be palliatives for national fiscal and industrial crises their final effect is to reduce or paralyze international trade. Without a large measure of that trade there is no hope for the revival of prosperity in the industrial nations of Europe.

The Points of View

The positions the various powers will take initially seem to be definitely established.

Britain will adhere to the principle of the Balfour note of 1922 which is virtually one of complete elimination of the political debts, and is specifically that Britain desires to collect no more from her political loans than she is compelled to pay the United States. But she is not willing to forego reparations from Germany and settlement of her loans to her allies unless she is correspondingly released by the United States. She can not view with equanimity the release of her competitor, Germany, from the burden of national debt while she has to meet a foreign political debt as well as a stupendous internal debt.

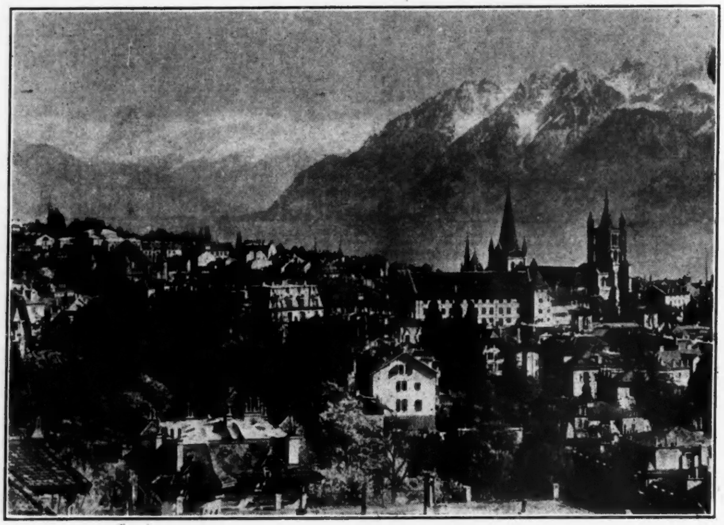
The recent elections in France and the return of Herriot to power reflect a considerable relaxation of French obduracy in regard to reparations. France is more interested in preserving the Treaty of Versailles as the international constitution of Europe than she is in reparations, always assuming that she can be released from her obligations to the United States. Even Tardieu offered Germany complete release from reparations provided she would unconditionally agree to refrain from all agitation for further relief from the terms of

What Germany Owes Abroad—Governmental and Private

Country	*Short-Term Obligations	Long-Term Loans	Reparations
United States	$750,000,000	$1,253,000,000	....
England	490,000,000	261,000,000	5,400,000,000
Holland	490,000,000	279,000,000	....
France	155,000,000	113,000,000	13,900,000,000
Switzerland	450,000,000	129,000,000	....
Sweden	50,000,000	190,000,000	....
Other countries	465,000,000	53,000,000	7,000,000,000
Totals	$2,850,000,000	$2,278,000,000	$26,300,000,000
Grand total	$31,428,000,000	....	....

* These figures include under "Other countries" 180 million dollars due the Bank of International Settlements. Direct foreign investments are not included in long-term items.

the Treaty for a period of five years. As always, France is primarily interested in security. She hopes that five years more of the operation of the Treaty will solidify the benefits she derives from it. She imagines that in that time a restored and prosperous Germany will have little interest in military power and will no longer be deeply concerned over the virtual disarmament, superficially at least, that the Treaty imposed upon her. In another five years the vexed Polish corridor question may be settled de facto by the Polonization of that area which, it appears, is now proceeding rapidly.



Lausanne—Where the Conference Will Be Held

The passage of time has weakened the French diplomatic position with respect to Germany. There seems to be little doubt that France's devotion to large armaments is mainly of defensive inspiration. It is hardly within the bounds of possibility that the people of France would permit armed intervention under the sanctions of the Treaty, therefore Germany may be free from military intimidation. But France will be adamant that nothing shall be done at Lausanne that flouts the Treaty of Versailles. Revise it perhaps; but deny its authority, never. On the other hand, France will be able to offer alluring rewards for conciliation on her terms. She is the only nation in the world today which can through governmental action give substantial economic assistance to Germany. A sort of economic alliance between France and Germany in which the former would be the banker and the latter would be the manufacturer and merchant would have possibilities of great practical benefits to both countries. Even with full political freedom, short of war, Germany must languish without France. Lausanne has other arguments than guns.

While Germany in her present confused political situation, with merely an interregnum ministry marking time, pending the probable capture of control of the Reichstag by Nationalistic parties, will not be in a position to enter into final commitments at Lausanne, what is done or proposed there may have far-reaching effects upon the international policy of the new regime. Hitler will probably not come to the top, but if he does it must be remembered that he is above all an opportunist and Lausanne may provide him with a solid base for rescuing Germany from her troubles without resorting to the extreme measures which have characterized his propaganda.

The German representatives because of their very irresponsibility may be in an effective position to convince the other powers that conditions have become so portentously critical that it is no longer a question of what may be done but what must be done if the worst is not to be confronted soon. The Germans will turn eagerly from the dead horse of reparations to the world problems of money and finance and tariff readjustments.

Looming larger in the German public mind even than reparations is the problem of the Polish corridor. The popular will is that it must be repatriated. As the Germans see it reparations have already been settled by default, at least as a practical question of immediate action. When Laval was French prime minister he said that the Polish corridor was the crux of the whole German impasse, that if that could be disposed of in some manner satisfactory to Germany, there would be little difficulty in effecting a final adjustment of reparations. But it is a stone wall across the path of all other agreements. The arguments on both the Polish and German sides are cogent and seemingly impossible of reconciliation. Germany declares that it is impossible for a great nation to submit long to being torn asunder territorially by the interposition of a strip of foreign sovereignty. Poland declares that she has a natural right of access to the seas. It seems as if there is no court, but that of arms that can dispose of such a difference. There is imminent danger that irregular warfare may begin at any moment, to be followed by a declaration of war between Germany and Poland. How such a struggle could be localized is beyond conjecture.

The German representatives will have powerful subterranean if not open international influences working on their side. The vast stake that England, the United States, Holland, Switzerland and other nations have in Germany through the private investments and loans of their nationals will press for almost any concessions to Germany that will assure the security of their imperilled properties. But there is a counter part to this pressure in Germany's practical necessities. Private as well as public repudiation will not save her. She must, soon or late, have further financial help from abroad. Outside of inexorable France there is no hope for such help except in the United States. Our international bankers may some day be willing to send more money to rescue that which is in jeopardy, but it is not conceivable that American investors will supply funds to a country which threatens formal repudiation of a public debt and hints that unless that debt is disposed of, regularly or irregularly, some billions of private loans will be of doubtful value. Even as this is written a correspondent in Berlin cables us that propaganda has begun for the reduction of private loans from foreign sources.

It is not impossible that the Germans may consent as a special courtesy to a draft of some sort of solution of the reparations puzzle which they will casually promise to mention to the new regime expected in Germany. It has been suggested that if served with appetizing sauces of other

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> *"If a more equitable basis of exchanging goods is established, as ultimately it will be through the automatic regulation which price itself forces, trade activity and business prosperity will not be dependent upon rising prices."*

> *"It will be possible to prosper upon stabilized prices or even upon declining prices, if the annual rate of decline is sufficiently gradual to permit constant business adjustment to it."*

> *"That we can have prosperity under such conditions is conclusively demonstrated by the fact that we often have had it in the past."*

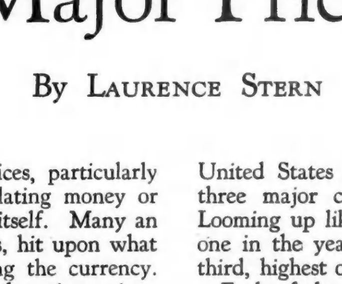
Economic Recovery Possible Without Major Price Advance

By Laurence Stern

THE effort of mankind to control prices, particularly through the hocus-pocus of manipulating money or credit, is almost as old as commerce itself. Many an ancient king, hard-pressed to pay his debts, hit upon what seemed to him the happy idea of debasing the currency. This created the illusion, for a time, of advancing prices, although what actually happened was that money went down. The public usually became intensely annoyed. Sometimes it deposed the king. In later years one of the reforms it clamored for most urgently was divorcement of the currency from political influence or power.

Despite amazing progress in virtually every field of knowledge, we are today almost as helpless in pitting our will against economic forces as against the lightning or the storm. In a hundred years, while wealth, with occasional interruptions, has ever increased and standards of living have ever moved higher, neither the masses nor the economists have learned much of fundamental economic causes.

One thing is certain. In all history there is not one scintilla of convincing evidence than man possesses the knowledge or the power to govern the basic price trend to any important extent or for any important length of time. Whenever an abnormal advance in the price of goods has occurred, corrective decline has followed—as inexorable as the force of gravity.



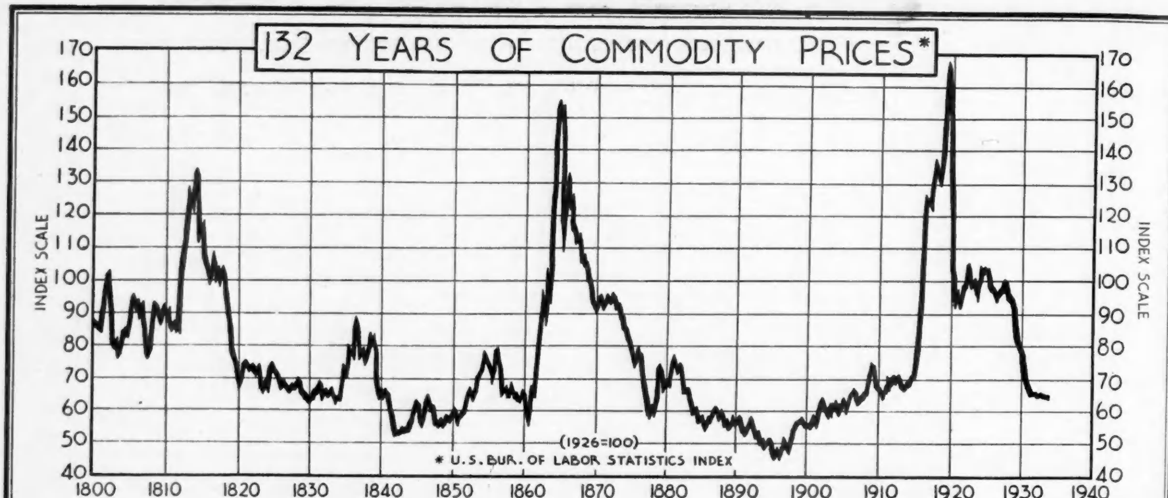
In its extremes the pattern of price fluctuation has always been relatively simple, as is strikingly shown by the chart which accompanies this article. We have here 132 years of price history, based on data prepared by the United States Department of Labor Statistics. It shows three major cycles during this great expanse of time. Looming up like mountains are three gigantic price peaks, one in the year 1814, one, still higher, in 1865, and the third, highest of all, in 1920.

Each of these peaks was thrown up by a major war, as mountain ranges have been thrown up by earthquakes. Each of these wars violently disrupted normal economic currents. Each called forth currency debasement or artificial credit expansion, or both, in order that hostilities might be financed. Each was followed by a return to price normality along the rough and painful road of deflation. Each deflation resurrected the age-old agitation among pinched debtors for "cheap money" or controlled prices. Each such agitation up to the present time has failed to achieve any substantial result.

Man, however, is ever willing to tilt lances with experience and ever reluctant to face disagreeable facts. It is almost inconceivable to the realist that any intelligent person could observe the chart herewith presented and then assert seriously that we are going to get out of this depression by the simple process of lifting prices up to the 1926 level through such an inherently dangerous and unpredictable device as currency or credit manipulation.

But the mass mind easily forgets history. Nor can we blame it unduly when so many erudite economists disdain facts for theories and continue their industrious and unending pursuit of the economic rainbow.

Many generations ago economists as



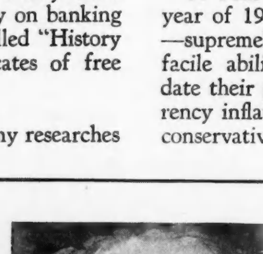
able as any now living were studying the price movement. One of the most eminent, John Stuart Mill, English economist and philosopher, had this to say in discussing the quantitative money theorists:

"Not only has this fixed idea of the currency as the prime agent in the fluctuations of price made them shut their eyes to the multitude of circumstances which, by influencing the expectations of supply, are the true causes of almost all speculations and almost all fluctuations of price; but in order to bring about the chronological agreement required by their theory, between the variations of bank issues and those of prices, they have played such fantastic tricks with facts and dates as would be thought incredible."

Exactly one hundred years ago, in the year 1832, a committee of the House of Commons solemnly pondered the puzzle of prices. Before it there appeared as expert witness, one Thomas Tooke, who carved out a tiny niche in history as the foremost authority of that day on banking and finance, as author of a ponderous tome called "History of Prices," and as one of the earliest advocates of free trade.

Said Mr. Tooke:

"In point of fact, and historically, as far as my researches have gone, in every signal instance of a rise or fall of prices, the rise or fall has preceded, and therefore could not be the effect of, an enlargement or contraction of the bank circulation."



Mr. Tooke's observation as to the chronology of price and credit expansions and contractions holds true to this day. If anyone doubts it let him explain away the fact that prices had no material advance between 1921 and 1929, despite an enormous expansion of bank credit; and the equally rigid fact that, with the exception of a temporary, emergency expansion in the final panic week of October, 1929, bank credit reached its maximum in the autumn of 1930 after prices of goods, securities and real estate had been on the toboggan for more than a full year.

There is available in this country today sufficient money, both in currency and idle bank credit, to finance the wildest kind of a boom. What we lack is a boom to finance. We are not likely to have one until the last one has been liquidated and forgotten. Then men will again build dreams on a pyramid of credit and price inflation, and no doubt once more forget that the counterpart and unavoidable corollary of credit is debt.

Disregarding Elementals

Meanwhile, disregarding so elementary a thing as ordinary human experience, many of us wish to change the rules of the game. We think the credit joy-ride should be both endless and one-way. If our debts are hard to pay, let the Government manufacture more money with which to pay them or make the banks pump credit into the market. How can we settle our debts without cheapening money to create the illusion of higher prices? Is it fair that we must pay back the original amount in the present dishonest dollar?

So runs the reasoning of the day. In this enlightened year of 1932 we find a considerable body of Congressmen —supremely confident of their own wisdom—turning their facile abilities to the proposal of nostrums which antedate their great-grandfathers. Some advocate a direct currency inflation in one guise or another. Even among some conservatives there is a reluctant opinion that "some kind of inflation may be necessary." One large group knows exactly what should be done. Congress should simply order the Federal Reserve Board to lift prices back to the level of 1926. Thus King Canute sat upon the beach and ordered the ocean to recede.

But delusion is not confined to Congress. Not a few of our academic economists are lustily adding their voices to the inflationary chorus on the certainly unproven, if not obviously specious, plea that business can recover only with the prop of higher prices.

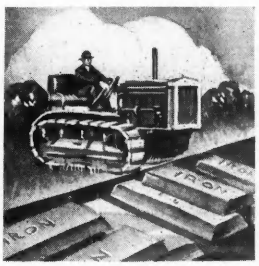
What is one, with or without a college education, to think of the current statement of the Department of Economics of the University of Chicago advocating a vigorous inflation? It urges heavy government expenditures, particularly for unemployment relief and for public and semi-public improvements. The money is to be obtained by selling Government bonds direct to the Federal Reserve Banks. Why pause to consider that central bank financ-

ing of governmental deficits has always proved disastrous?

Inflation in all of its aspects has been expertly discussed in a previous recent article in this publication. Another article has dealt with the dangers involved in a Government-financed public works remedy at a time when governmental expenditures already are absorbing fully 30 per cent of the national income.

These subjects need not be further expanded. Our concern here is with the trend of prices, current and prospective. Insofar as this may be affected by inflation, suffice it to point out that in the last decade various nations have at one time or another practiced inflation of currency. The results have varied, depending upon the degree of inflation resorted to. In every case a varying degree of debt has been extinguished, leaving winners and losers to debate as to whether the national interest had really been served.

In each case depreciated money built its temporary illusion of rising prices, always confined within national boundaries. But world prices, figured in gold and made by the exchange of goods, continued the basic decline from the 1920 peak. It may be that the interlude of relative stability between 1921 and 1929 was partly influenced by currency inflations abroad and credit inflation here, but there is more reason to believe that it originated merely in the initial post-war replacement demand for goods and was protracted beyond this point by an overdose of credit and as ill-founded a speculative boom as the world has ever indulged in. At any rate, it will be observed from the accompanying chart that such interludes of price stability or temporary price appreciation have marked each of the two preceding post-war deflations of the last century and a quarter, without possessing any significance whatever as to the basic and underlying trend.



The quantitative money theory is sound, of course, to the extent that the finding of important new supplies of gold would, as throughout the past, have a strong tendency to raise prices. Gold is the only money in which the present inhabitants of the earth have unlimited confidence. A rise of prices brought about from this cause would be accepted with confidence, but no such confidence under existing conditions of fear can attach to an artificial expansion of money by the device of basing more money or credit on existing gold supplies.

Little Hope For New Gold Supplies

In view of the intensive, exhaustively scientific search which the world has made for gold, there is little reason to assume that the opening up of new supplies will solve our price problem. Moreover, we have no evidence to show that even gold itself can entirely dominate the price movement. It is obvious that a single commodity can be affected by any number of factors other than money or credit. The general commodity movement is merely the sum total, or average, of individual commodity changes and presents the utmost variety of cross-currents.

An admirable summary of the underlying causes affecting the price level was presented to the last meeting of the International Chamber of Commerce at Washington by Dr. Bernhard Dernburg, former Finance Minister of Germany. The Dernburg report points to a number of secular factors. These include technical progress in production of raw materials and, particularly, of agricultural products; changes in food consumption habits; the accelerated industrialization of the world caused by the war; the hampering of world economic co-operation by a wave of nationalism; the dislocation of pre-war frontiers, the financial dislocation resulting from heavy war debts, pensions and international financial obligations imposed by the peace treaties; and, finally, the expansion of fixed charges resulting from the service on sinking fund and interest on extensive new investments which in nearly all countries can only be fully utilized during periods of prosperity, the expenditures on social service, such as unemployment relief, and, in all countries, from high taxation.

The workings of many of these secular causes of low prices, notably technical progress in expanding the facilities of production, expansion of fixed charges on top-heavy capital obligations, international trade barriers and high taxation, are so plainly apparent in our present price situation as to need little further discussion.

The cyclical factors dictating a decline in prices are generally familiar to every economic observer. In its summary of them, made late in 1930, the Dernburg report made the following, thus far accurate, forecast:

"The mechanism of the crisis presents itself as follows: shrinkage of capital accumulation, decreased returns of industry, fall in the value of securities, a credit and confidence crisis, lack of the spirit of enterprise, shrinkage of all production goods, as well as consumption goods.

"The solution of this crisis may be as follows: As a result of the foregoing, there will be a depression almost to a minimum level, thus a lowering of the standard of living, a sinking of the returns of production, stagnation of demand, selling of stocks at any price, leading to an increase of the available money supplies and the necessity for the restoration of the mechanism of production and the reforming of stocks.

"Hence, an initial resumption of economic activities with a corresponding increase in world prices to the extent to which this cyclic process is not hampered, weakened or delayed by the other secular factors already mentioned."

The implications of the natural adjustments brought about by cyclical price factors are favorable. That is, if the secular or long-term causes making for lower prices are not too powerful, the retrenchment and saving induced in acute depression result ultimately in an accumulation of demand for goods and an accumulation of capital.

The effect of this is a renewal of economic activity and a renewed utilization of the abundant credit which is available. What we have failed heretofore to learn about the prosperity cycle is that credit must at all times justify and support itself in terms of earned dollars. Credit confidence can be maintained only as long as credit debts are met with earned dollars. In 1929 we committed ourselves too heavily on borrowed dollars. The investments and speculations which we made to excess on credit simply failed to earn their keep.

By and large, the major demand for credit now is not the confident demand of expansion but the cry for help, the demand for assistance in meeting old debts. On the whole, old debts will not be satisfied by new ones. No wise business man will borrow and no wise banker will lend to build a new factory under conditions which promise no profit with which to repay the loan.

Despite the present pessimism, which is merely the counterpart of that which has invariably prevailed in the late

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Platforms and Candidates—What They Mean to Business

Leaders Discuss the Influences and Effects of the Policies of the Dominant Parties

The Republican Viewpoint

By Simeon D. Fess

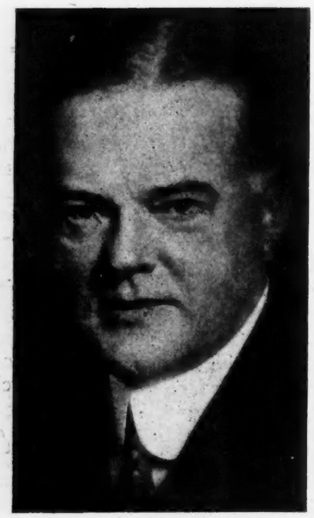
Chairman of the Republican National Committee and U. S. Senator from Ohio

ON the eve of the National Conventions the attention of the country is once more centered on the Presidential elections. The ether as well as the press is filled with prophecy and prediction. Oratory increases in volume and partisanship becomes more intense. Party loyalty and emotional bias add to the difficulty of accurately outlining the campaign and its probable results. However, the fundamentals of politics are constant and it is possible by studying them and evaluating the known factors to analyze the campaign in advance with a reasonable certainty that the conclusions thereby attained will be borne out when the American electorate goes to the polls next November.

As elections approach it is customary for Republicans to predict that their candidate will be victorious while the Democrats point to a Democratic victory frequently for no other reason, on either side, than pure partisanship. Such loyalty is perhaps commendable and it may have a psychological effect in inspiring confidence in the rank and file but it has no place in an analysis of the forces which in the end bring success to one candidate or the other.

There are always unexpected developments and incidents sometimes of major, sometimes of minor, importance which occur in the closing weeks of the campaign. These cannot be anticipated nor their effect gauged. However, working with known conditions, existing alignment and historical records, the advance analyses become practical predictions capable of foretelling the future as nearly as it is humanly possible.

Some people feel that the Republican National Convention lacks significance because there are already sufficient delegates pledged to the President to make certain his nomination. It is quite true that the Democratic Convention has greater potentiality of being exciting. The vital importance of the Republican Convention can not be over-estimated. All but two of the men elected to the Presidency since 1860 have been Republicans. In all but sixteen years since that date the affairs of this Nation have been conducted upon Republican principles, administered by Presidents elected to carry out Republican policies. It may be truly said that all of the great constructive statutes on our legislative books were first written as pledges in Republican platforms, and in many cases opposed by Democratic orators in the campaign. With such a record and particularly in times like the present when constructive leadership in the administration of public affairs is intensified the action to be taken June 14 to 17 at the twentieth quadrennial assemblage of the Republican Party in National Convention is of great importance to every American.



President Hoover

The Convention will state the issues upon which the appeal will be made to the voter. On some phases of the conduct of public affairs there will be little difference between the parties. On others a sharp divergence of opinion is bound to be revealed where one will affirm and the other denounce. Any review of previous platforms will disclose the positive note of the Republican Party, and the negative note of the Democratic. This review will also demonstrate that Republican policies while progressing with the times, have not departed from the fundamental principles which animated the birth of the party. No such situation exists within the Democratic Party. Any review of the record will show that Democracy's path is strewn with forgotten issues, principles that were held sacred as paramount issues in one campaign and heretical in the next. This record discloses enthusiastic advocacy of policies by leaders of yesterday which leaders

of today fail to recognize and leaders of tomorrow will denounce.

For these reasons it is much easier to outline Republican platforms than Democratic. Assuredly, however, there will be declaration of a difference on the tariff. The Democratic stand on this subject from year to year is modified. The Republican stand is what it has always been—protection for the American market, for the American farmer, industrialist and worker. Notwithstanding the fact that the keynoter of the Democratic Convention is an active and effective protagonist of a coal tariff inserted in the tax bill that convention will undoubtedly go on record as opposed to the principle of protection. Democrats begging particular protection for their own localities denounce general protection for the people at large.

This question of tariff will be an issue upon which the Democratic platform will lay great stress and the Democratic orator will grow eloquent in spite of the fact that it is as evident to them as it is to us that their anti-protection position is not only extremely difficult but embarrassingly untenable considering the part played by Democratic members of Congress in tariff legislation in recent years, and especially in the Smoot-Hawley law which they now so vigorously assail, to say nothing about coal, copper, oil and lumber.

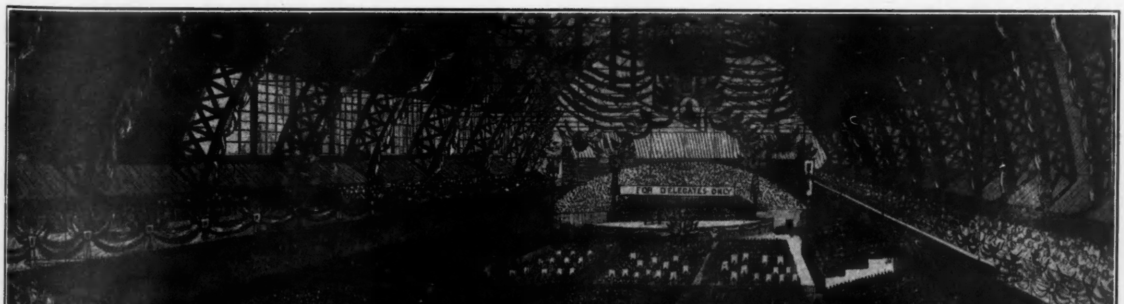
The dominating issue of the campaign will be the Hoover Administration. The accomplishments of the President in times of great emergency will be the theme of the Republicans. What someone else might have done will be the slogan of the Democrats. The leadership of President Hoover on the one hand, and the qualifications of any Democratic leader to do as well on the other will be argued from the Atlantic to the Pacific and from Canada to the Gulf. This field of political discussion will loom so large that all other issues compared to this will be dwarfed into insignificance. The Democrats realizing their only hope lies in the depression will contend as they have charged from the beginning of our economic reverses that the President, if not directly responsible for the economic breakdown, has at least failed to embrace his opportunities as Chief Executive to restore normal conditions. They will be called upon not only to specify wherein the President's program which they supported failed, but in addition they must place before the country their own program for reconstruction—a task in which they have been peculiarly unsuccessful to this date.

The Republican Party will present the factual record of President Hoover and his efforts to meet an unprecedented economic disaster comparable in scope and in effect to the Great War.

Beyond and above the usual duties of the President of the United States, President Hoover's first problem was to stabilize and preserve organized society facing a Labor and Capital war. His second problem was to insure the integrity of our governmental institutions. His third problem was to preserve a national credit system to avoid general bankruptcy of our financial and industrial structure.

In my opinion no one can review that record without becoming convinced that America is extremely fortunate to have had Herbert Hoover in the White House during this critical period. The plans he has inaugurated, the policies he has announced and pursued, the recommendations he has made to Congress and the co-operation he has obtained from all branches of civil life formulate a program unique in political history. Most assuredly it has no Democratic counterpart. If one considers Mr. Hoover's efforts toward ameliorating the depression and subsequently studies the proposals directed at the same end by various Democratic leaders the contrast is so striking that it seems inconceivable that the people of the Nation could turn from the constructive leadership of Hoover to the confusion, if not chaos, which stamps the Democratic program.

It is elementary strategy on the part of our Democratic opponents to count heavily upon discontent and foster it wherever possible. They do not overlook the element of unrest as a partisan asset and neither do they hesitate to feed that discontent. These tactics have been consistently followed under the direction of the Democratic National



From Leslie's Weekly

In June, 1884—Republican National Convention in Exposition Building, Chicago

Headquarters since 1929 when the campaign to "Smear Hoover" was ordered. Party orators have told the people of the country in effect: "Business is bad. You are out of a job. You are in a Hoover Crisis. Hoover is to blame."

For some time Democracy's directorate achieved results by this method but after a while as the true economic conditions of this country and the world became increasingly better known the electorate began to ask itself if the President had not done an extremely good job under the circumstances. And from this query it was natural to proceed to another, "What does Democracy offer?"

In a way this has been answered by the House of Representatives under Democratic leadership. And that answer has been chaos fraught with disaster. In rapid succession the Democratic House has abolished its own leadership, torn to bits its own remedial legislation and presented such an awsome picture of wild incompetence that the whole nation has turned to the President for rescue.

It is hazardous and of little value at this short range to comment on the potential nominee of the Democratic Party. Previous Democratic conventions should be of sufficient warning to prophets that anything may happen no matter how certain the outcome may seem on the eve of nomination. Considering the leading contenders one is reminded of the super-optimism, now somewhat diminished, which was embraced as a campaign slogan by certain individuals to declare a year or so ago that any Democrat could beat Hoover. The axiom, "You cannot beat someone with no one," still holds good. While depression is the one hope of Democratic success, it is the one thing which will emphasize to the voter the country's good fortune in having in charge at such a time a man of the experience and power of President Hoover. At this critical juncture the nation seeks a man who is unequivocally a leader and one whose past performance gives proof of great ability. Of the available Democratic candidates for nomination none has such a clear-cut record.

The lost issues and the economic nostrums which, once sponsored, are now like tin cans on the tail of the Democratic donkey dim the luster of many a potential nominee. Of these it is sufficient to mention the League of Nations and unsound monetary schemes, under one guise or another, still advocated by many Democrats in and out of public life.

Whoever opposes Herbert Hoover in the campaign must contend against the following handicaps:

1. A normal Republican majority of five millions of votes.

2. The reluctance of a large part of our population to place in power a man whose ability has never been tested in the fires of national and international complications.

3. A natural distrust of the party which has unceasingly offered criticism without providing a constructive program that would bear intelligent scrutiny.

4. An unwillingness on the part of business men, bankers, industrial leaders and the millions of citizens in moderate circumstances whose funds are invested in the American commercial fabric to permit Democratic tariff experimentation.

5. The growing realization on the part of the American people that the man who has so unsparingly given of his great energy and ability in the interest of the nation is infinitely better qualified than anyone else to complete the work which he has inaugurated and that our welfare as individuals and as citizens will be furthered by his re-election.

The Democratic Viewpoint

By Jouett Shouse

Chairman of Executive Committee of the Democratic National Committee

MOST interesting among the features of the coming Democratic Convention at Chicago is the contrast between that and the Republican gathering that precedes it in the same arena two weeks earlier.

The Republican Convention presents the spectacle of a body of men forced by fortune and circumstance to renominate the President of the United States, an unwelcome candidate. The voters themselves are not represented by the delegates in any comprehensive sense. The latter do not even mirror the personal sentiments of the politicians who selected them. They are automatons, supposed to go through certain motions directed by party necessity. Many of the delegates, including Senator Dickinson, who has been selected as the temporary chairman and whose function it is to make the keynote speech exalting Herbert Hoover, are on record in public addresses as having the most uncomplimentary views as to the President's fitness for the post he has occupied for three years, in which he hopes to continue for four years more. Even the Chairman of the Republican National Committee, who handled the machinery for the automatic renomination of Mr. Hoover, stated on one occasion, in deprecation of his present candidate, that the Republican Party "will demand a leader whose Americanism is not in question and whose political views are not a matter of speculation."

On the other hand, the Democratic Convention meets on June 27 and even at so proximate a date as this publication no man knows who will be its nominee. A dozen eminent Democrats will be placed in nomination, each of whom has his supporters and opposers among the delegates. These delegates, instructed by primary or convention for a particular man, or coming uninstructed to exercise their own judgment, will proceed with the selection of whatever candidate is the choice of 770 of the 1,154 members of the Convention. In these circumstances the Democratic nominee is bound to be the man whom a majority of his party wish to see in that office. The Democratic Convention will be driven neither by party necessity nor party precedent as is the Republican Convention, which must take its candidate because he has already served one term and to displace him would be a confession that his administration has been a failure. Obviously as the Republican party's claim on the suffrage of the people must be the record they have made; they have no alternative.

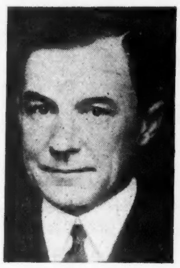
The situation as to the platform is analogous. The Republican declaration of principles must be framed to endorse the policies and applaud the performance of a President who, unless I entirely misread public opinion, is more unsatisfactory than any man who has occupied that high office in at least the modern history of our country. The Republican platform will have been checked by him, and no one of its provisions can by any possibility be inserted without his co-operation and consent. It must applaud the Smoot-Hawley tariff bill, regardless of the disaster that measure has visited upon the business of this country because of the retaliatory rates it engendered, which have ruined our export business as its own extortions destroyed our import trade.

The prospective Republican prohibition declaration has been the subject of repeated conferences between the President and the Republican leaders of the populous states who have told him that unless concession is made to the wet sentiment of those states his election is impossible. Up to the time that this article is prepared it does not appear that anybody has been able to solve the riddle of the President's state of mind on this vital subject. The best opinion I have been able to gather is that he will permit the Convention to make some approach to agreeing to a resubmission of Federal prohibition to the people, while abstaining from any revelation of his own views in the efforts to hold on to dry votes. But whatever that plank is, it will bear his O. K.

Franklin D. Roosevelt

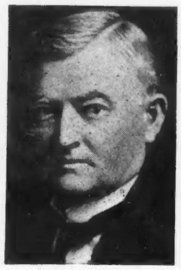
Alfred E. Smith

Newton D. Baker



Melvin A. Traylor

Albert C. Ritchie



John N. Garner

Even the Farm Board—that most stupendous example of extravagance and ineptness in a political gesture—must be applauded, or at least condoned, for the Farm Board was Mr. Hoover's own creation and the half billion dollars, or so much of it as has been wasted in gambling on the grain exchanges in the futile and disingenuous effort to keep up agricultural prices by rigging the market, was in the bill by his authority and direction.

The dilatory and half-hearted policies he adopted to meet the depression will have to be handled with reference to whatever his position may happen to be when the Convention meets. At the beginning of the panic, it will be recalled, his main idea was that enterprises creating employment should be carried out at any cost, whether private or public in their character. During recent weeks he has swung so far away from this policy as to denounce every measure proposed in Congress which called for an extended construction of public building programs. What will be his attitude by June 14 no man can foretell.

The Republican platform doubtless will emphasize that the depression is due to the aftermath of the World War, for in no other way can there be even an attempt to escape responsibility for the three-billion-dollar deficit of the Treasury after a dozen years of Republican control of our fiscal affairs. It would seem to be axiomatic that if the World War were responsible for our unbalanced budget and the other unhappy incidents of this panic time it must have been equally responsible for the flush years that preceded the great stock market crash of October and November, 1929. Yet we have not only assurance that Republican administrations had liquidated all the great problems of the great war ten years ago but we have Mr. Hoover's own statement in his report as Secretary of Commerce for 1927 that "the idea that our present high prosperity is a result of the World War is wholly without foundation."

As to the Democratic program, no individual will write that or dictate its provisions. It will, I hope, be a forthright and concise statement of the aims and desires of the party and the processes by which to strive for their fulfillment. As there exists no authority in the party out of power to lay down the law of that party, any survey of its contents at this moment necessarily must be merely an expression of personal opinion.

Our platform will, I think, call attention to the errors and blunders which the other party has to proclaim as the acme of governmental efficiency and wise judgment. The Smoot-Hawley tariff bill, which has played so great a part in sharpening the pangs of the panic period not only by the disaster it has brought upon our foreign trade but because of the additional load it sought to lay on the shoulders of the people already bent under the burdens of an economic and industrial cataclysm, should be adequately analyzed and characterized.

The prohibition question will, in my opinion, be dealt with plainly and courageously. It is impossible to write that plank in advance because of the wide diversity of opinion within our own ranks. There is, however, no such extended diversity on the question of permitting a referendum of the whole people on this subject, to the end that the moot question of what the nation desires may be answered. As there is only one form of referendum possible under the Constitution—the submission of an amendment to the Constitution—that will be the method by which the consensus of the public mind must be arrived at. Drys as well as Wets will be found advocating this procedure, for there is nothing in it which precludes a legislator firmly committed and convinced either that national prohibition should be continued or that it should be repealed from advocating and voting for the submission of an amendment of the character indicated.

As to the measures requisite to get our ten million unemployed back to work and to start the wheels of industry revolving again at normal speed it seems to me to be

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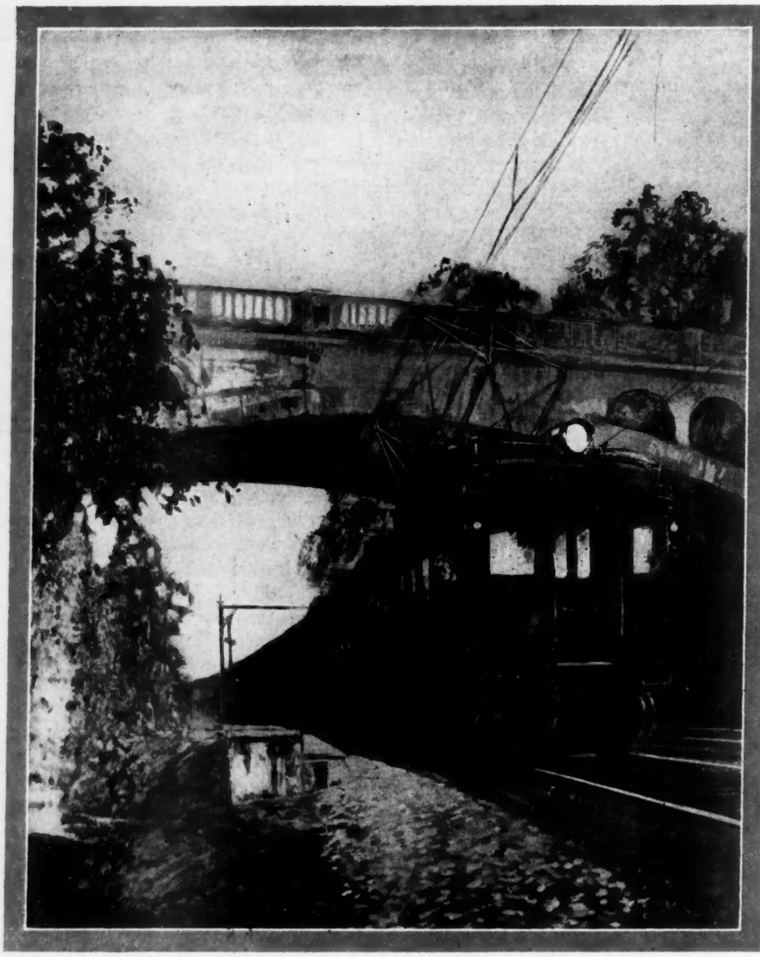


Courtesy, General Electric Co.

Electrification of Railroads Has, Besides Long-term Operating Economies, Present Value in Affording Work

Things To

Public Money for Private Expansion

The Reconstruction Finance Corporation evidently believes that its proper function is not only to help embarrassed railroads meet their fixed charges and bond maturities but, out of the public funds under its command, to aid companies in capital expansion where it appears justified. The wisdom of such a policy, obviously, is debatable but each case will have to be judged upon its own merits. The real question is whether the improvements thus financed will eventually pay for themselves. Perhaps the most notable example is the loan of $27,500,000 recently granted to the Pennsylvania Railroad, the proceeds to be used largely in that company's vast program of electrification of its lines between New York and Philadelphia. The cause is at least a worthy one, particularly in view of the employment it will afford.

The recent proposal of President Hoover that the capital of the Reconstruction Corporation be increased by 1½ billions of dollars represents a significant extension of the original remedial program. If the President's plan is adopted by Congress the emphasis will be placed upon constructive, rather than purely defensive, credit operations. Opportunities unquestionably exist both for public and private undertakings of self-liquidating nature. The appraisal of those opportunities will be a supreme test of the business judgment of the Reconstruction Corporation.

Get Your Pocketbook Ready!

Instead of reading about the new Federal tax bill in the newspapers, the public will very soon come into personal contact with it. Various of the new taxes, including a variety of "nuisance" taxes, will take effect within fifteen days after President Hoover signs the bill. The first-class postal rate increase takes effect thirty days after the bill becomes law and the increase in second class rates takes effect July 1. The increased income and corporation taxes apply to the year 1932 and will not be paid until 1933. All of the excise taxes and the import taxes on coal, oil, lumber and copper become effective within fifteen days. While the increased income taxes will be hardest to pay, taxes which the average citizen will first encounter include: Higher postage, beginning at 3 cents; a 5 per cent tax on radios, phonographs and mechanical refrigerators; 10 per cent on cosmetics, jewelry, sporting goods, cameras, fire arms and furs; 3 per cent on all new automobiles purchased; 2 per cent on automobile accessories; 4 cents a gallon on lubricating oil; 1 cent a gallon on gasoline; and 2 per cent on candy, chewing gum and soft drinks. Other taxes include 10 per cent on all admission tickets over 40 cents; 10 to 20 cents on telephone messages over 50 cents; 5 per cent on telegrams; 10 cents on cablegrams; 2 cents on all bank checks; and 10 per cent on safety deposit box charges. Finally, there is to be a 3 per cent tax on electric power consumption.

The Heaviest of Sales Taxes

Despite the fears which politicians obviously entertain as to the distaste of the voter for sales taxes, the fact is that the average American is steadily being educated to meet the most direct of all taxes without apparent complaint. His teacher is the tax on gasoline imposed in virtually all states and now to be imposed also by the Federal Government. These taxes originated in 1919 and

Think About

proved so productive that they quickly spread throughout the country. Moreover, when it was found that motorists cheerfully paid 1 or 2 cents tax, state after state boosted the rate until gasoline taxes in some states now amount to 5 cents or even 7 cents per gallon. In the State of New York the rate is 3 cents and the Federal tax of 1 cent now proposed will make a total of 4 cents. With the retail price of standard gasoline in this state 12 cents, the tax will amount to 33 per cent of the price of the product. In contrast with this, Congress has turned down a 2 per cent general manufacturers' sales tax. The gasoline taxes paid to states in 1931 amounted to $536,397,458, the highest ever. With increased rates in many states and the addition of the Federal tax the imposition this year probably will exceed $700,000,000. Gasoline taxes were first imposed with the purpose of supporting road building and maintenance. The tendency in recent years has been to divert a larger and larger sum, however, to general government purposes. It would seem that this particular golden tax goose has produced about all the eggs that can be expected. Any higher taxes can scarcely fail to encourage bootleg gasoline and widespread tax evasion.

Inconsistent Yields

It was only the other day that the Treasury floated a 90-day issue of certificates on a .27% basis, while at the same time long-term Government bonds can be bought to afford a yield close to 4%. Gilt-edged public utility bonds still yield little better than 5%, but underlying railroad bonds will return as much as 8% or 9%. These yields are not consistent and merely go to show the abnormalcy of the times in which we live. If the United States Government could borrow short money on a sound basis around ¼%, then long money should command barely 2%. The converse is also true, with long money around 4%, then ¼% for short money is ridiculously low. There is the same inconsistency in the other example. If there should be an epidemic of railroad receiverships so disatrous that first mortgage bonds will be affected, then the country's public utilities will not pass through such a time without at least some impairment of credit standing. Can it be that these yield curiosities are caused by a hysteria which puts a tremendous premium on supposed 100% safety and will not purchase 90% safety at any price? If it is, there will be a lot of money made ultimately by men who purchase diversified 90% safety and leave the 100% division to their over-frightened brethren.

Propitiating the Eclipse

We have been and are economically sick. Instead of taking the scientific cure we have acted just like a swarm of naked savages terrified by an eclipse. We have whipped our idols for failing us and have made sacrifices to please the malignant gods. We have blamed the White House and the Capitol, we have flouted economic law and soaked the rich, we have made oppressive laws instead of work. We have prayed and cursed. We have even talked of dethroning the high god of capitalism, to whom we attributed all our blessings of yester years. We have hoarded his favors when we should have spent them, we have fasted when we ought to have been working. We have tom-tommed ourselves from sick to sicker. We have danced before the Federal Reserve when we should have been exercising our brains and renewing our courage. And when the eclipse is over we will rejoice that we knew what to do about eclipses.

France Makes a Gesture

France has increased its quotas of certain American goods, and the preliminaries are being arranged for the negotiation of a general trade treaty between France and America. This episode shows that after all scarcely any nation will undertake to alienate the United States. France is in a better position to defy the eagle than any other nation, and went far in that direction. But now she begins to cultivate us. After all what do our high tariffs mean to her luxury exports? The goods our people buy from France are of the sort that they will buy at almost any price when they are prosperous and that they will not entirely dispense with when they are hard up. The tariff has little to do with this sort of trade. And there is a lot of sentiment mixed up with our patronage of French products. The normally largest item of our imports is represented by what our tourists spend in France. They prefer to part with their foreign travel budgets in that fascinating land. The French usually figure a bit too close, but it is dawning on them that when American pleasure money is plentiful again it will be well for France not to be in disfavor with our importers or our tourists.

Low Ebb In Dividends

In the early phases of this depression, and particularly during the forepart of 1930, most corporations leaned far toward the side of generosity in paying dividends. Various companies made the gesture of paying extra dividends and the majority maintained regular payments for many months after depression had become acute. In part, this policy was based on the mistaken judgment that the depression would be short-lived; in part, on the desire to help maintain public confidence. There is little doubt now that some companies were imprudent in their payments and that, in various instances it would have been far better, both for company and stockholders, to conserve cash resources. It is a striking fact that as we slide deeper into depression more and more companies are not only adopting a conservative dividend policy but are going to extremes of conservatism that many stockholders will find difficult to explain on the basis of the visible factors. Thus, General Electric, whose financial position is made almost impregnable by its holdings of approximately $115,000,000 in cash, has reduced its quarterly dividend from 25 cents to 10 cents. Earnings for the first quarter were 16 cents a share, or 60 per cent above the new dividend rate. As a general rule, over-conservative dividends are preferable to over-generous ones. Nevertheless, one may well wonder whether many companies in their zeal to guard against contingencies are not now giving fear too free a rein.

Need Recapitalizations Be Feared?

Readjustment of Corporate Structures Frequently Reduces Drain on Income and Enables Revised Organization to Make Fresh Start—But What About the Investor?

By John D. C. Weldon

IN 1931 the fear of the average investor or speculator focused very largely upon the unfavorable trend of corporate earnings and dividends. The fear of 1932 goes beyond the loss of income and depreciation of market values. In a great many instances investors are asking, "Will this company pass completely out of the picture? Will it go into the hands of a receiver? Will I lose every nickel I put into it?"

These are questions which have always arisen in the late phases of every major depression and the doubts which they reflect concerning the condition of various corporations will inevitably become more prominent in coming months. Corporate receiverships, reorganizations and capital revisions are an aftermath of deflation and of the changed level of values of producing assets. They tend to lag well behind in the declining trend of business activity and profits.

In many instances prevailing security prices, particularly among junior bonds, reflect uninformed fear of receiverships, reorganizations or other capital adjustments. Many such adjustments will not affect real investment values. In others prospective loss has been more than adequately discounted in existing quotations. In all, careful analysis should be undertaken to avoid needless sacrifice of holdings at distress prices.

True Values Not Destroyed

Yet it is a striking fact, as the history of past depressions shows, that these adjustments of capitalization do not in themselves destroy any real values. They merely recognize a decline of value which has previously been established by the free play of economic forces and which, perhaps in a majority of instances, has already been discounted—if not over-discounted—by prevailing market quotations on the securities involved.

Thus, if a company has any economic reason for existence, receivership or reorganization is not the end of its career but a fresh start, with the obstacle of top-heavy capitalization removed. Of course, if one could look far ahead and see the probability of such adjustment, it could not by any stretch of the imagination be considered as favorable with respect to security values. It would be the part of wisdom for the investor to sell out his holdings.

But in practice receivership does not cast its shadow very far ahead and by the time the average stockholder or bondholder has awakened to its possible imminence his holdings have already lost the greater part of their market value and disposal of them at distress prices is at least open to question.

In such a situation many uninformed investors invariably throw in the sponge and abandon all hope. Their frightened selling, which accelerates the forced closing out of bank loans, is partly responsible for the establishment of prices too low to be justified even by receivership. That is why in certain cases first mortgage bonds, for example, have been known to advance in receivership after having previously been forced down to unwarranted low prices on the prospect of it.

Aftermath of Over-Expansion

In the current situation there is no mystery. In a period of general deflation, adjustments of capitalization are simply the aftermath of over-expansion on the part of various companies during the preceding boom. As with individuals, old obligations must be met or adjusted before a new start can be made.

There is no reason to believe this depression will vary materially in such respect from all others. Short of a temporary monetary inflation, there appears to be no prospect that prices can be substantially raised. The commodity level of 1921-1929 is now generally recognized as having been a level of inflation and all price history suggests that a generally low level will now be maintained for some years to come. It is this probability that calls for an adjustment of such unpayable obligations as were contracted at the inflationary level.

Security prices, particularly in the case of bonds, have gone far toward facing the realities, and yet there has been a notable reluctance to give them public recognition. The human instinct, encouraged by mistaken policies on the part of our political leaders, has been to resist, oppose and delay adjustment to the changed value level. An effort, for ex-

ample, has been made to stave off railroad receivership by resort to the public credit. The merit of this program is open to honest differences of opinion, but, from the point of view of the investor, the plain fact is that numerous revisions of capitalization will be inevitable unless there is a relatively early revival of business. Moreover, the possible abandonment of artificial aid is not the only question. The best-managed companies prefer to save themselves, rather than to incur additional debt. Many have already set their capital structures in order and others will sooner or later see the desirability of so doing, both to insure survival and to make the recovery of earning power easier.

May Wipe Out Stock Equities

In some cases of receivership and reorganization, common or preferred stocks or both may be wiped out, but not even this necessarily means a loss of all value, for such equities will be exchanged in most instances for others, with or without cash assessment. There are various examples of excellent investment stocks which began their career with an assessment, although, obviously, decision as to the wisdom of adding to one's original investment in the hope of recouping must be subject to a variety of individual considerations.

Whatever uncertainties reorganization may hold for stock owners, it appears clear that a majority of holders of depreciated bonds have given too great rein to unjustified fears. It is not proposed here to attempt to guess bottom in the bond market. No estimate can be put upon hysteria or upon forced liquidation. It is possible, however, to arrive at some rational approximation of a bond's intrinsic long-term value. Many bonds, including some of companies which conceivably may have to be reorganized, are cheap on this basis, even though unintelligent selling may meanwhile force them still lower.

As an example of fear run wild, current quotations of bonds of the Erie Railroad may be cited as representative and typical. Let us suppose, although it is by no means probable, that this road will go through receivership and reorganization in order that its capital obligations may be scaled down and its fixed charges reduced.

The Erie has outstanding approximately $35,000,000 in consolidated first mortgage 4 per cent bonds, $30,000,000 in various prior lien divisional issues and $35,000,000 in equipment trust certificates—a total of around $100,000,000 of prior obligations. Interest requirements on this total amount, roughly, to $5,000,000 a year. In 1931 Erie earnings available for fixed charges were $14,748,551 or nearly three times the interest requirements on prior liens.

In the first quarter of this year, earnings were approximately 53 per cent below the corresponding quarter of 1931. Assuming that this ratio will be maintained throughout the year—and it may very well be improved—1932 earnings available for fixed charges should be approximately $11,000,000, or more than twice the total required for the interest on underlying issues. Yet Erie consolidated 4s currently sell at the abnormally low price of 54.

And what of the junior bonds? These are outstanding to a total of approximately $160,000,000, requiring some $8,000,000 a year for interest. Since we have indicated that the road is likely to earn at least $11,000,000 this year and will need $5,000,000 for prior lien interest, the sum of $6,000,000 should be left for the junior bonds, or 75 per cent of the necessary total.

This is a respectable showing, yet prevailing quotations on the junior bonds would appear to indicate an illusion that virtually all values have been destroyed or will be in reorganization. The face value of $160,000,000 junior bond issues is appraised in the market at an aggregate of $32,000,000. In the remote and fantastic event that the road could be recapitalized with its junior obligations on this basis, it would need only $1,600,000 a year to pay 5 per cent on this part of its funded debt, whereas under present conditions it is likely to have available $6,000,000 for junior bonds or 3½ times what would be needed on a capitalization which the market has already discounted.

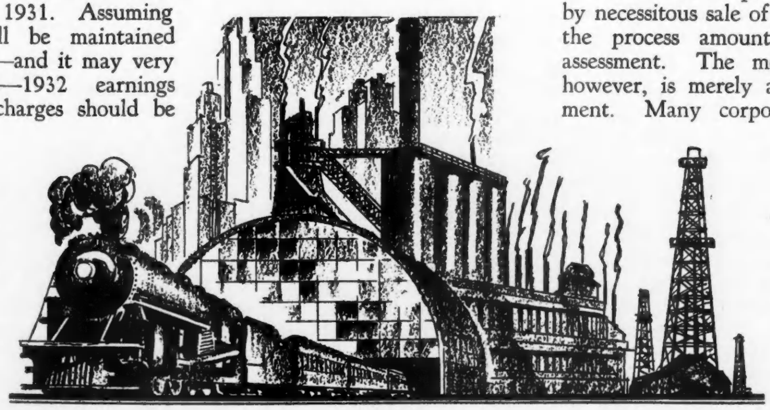
Such an adjustment undoubtedly would be fought to the death by intelligent owners of junior bonds, since it would open the road to riches to anyone who chose to buy such new stocks as might be issued to raise working capital. What would actually happen in reorganization no doubt would be an adjustment of capitalization on a basis which would ultimately offer substantially higher values than now are recognized in the market.

Not the Time to Show Alarm

Various other examples could be cited. They suggest that grave risk may attach to extreme fear at present precisely as it attached to extreme optimism in 1929. A year ago may have been a sound time to become alarmed at the prospect of recapitalization. When the actual realization is near at hand, it is the part of prudence to consider whether prices have not already made sufficient, if not over-generous, allowance for any probable adjustment.

Given a sufficient intelligent co-operation on the part of of security owners, no great number of receiverstips would be necessary, either in the railroad industry or elsewhere. Reorganization and downward adjustment of fixed charges could be voluntarily worked out with advantage to all classes of security owners. An effort at such reorganization is now being made, at the suggestion of the Interstate Commerce Commission, in the case of the St. Louis-San Francisco Railway Co. Its great advantage over formal receivership is the saving of receiver's fees, lawyer's fees, banker's fees and protective committee expenses.

It is likely that the number of drastic reorganizations will be limited. There are all varieties of capital adjustment. In a few cases companies have raised money by necessitous sale of stock to shareholders, the process amounting virtually to an assessment. The most frequent change, however, is merely a bookkeeping adjustment. Many corporations have already written down the stated value of their common stocks and of their property assets, thus increasing capital surplus. Others have reduced top-heavy share capitalizations by reverse split-ups.



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MISSOURI, KANSAS & TEXAS RAILWAY CO.
1st Mortgage 4s, Due June 1, 1990

An Underlying Rail Bond Worth Watching

Recent Prices Discount the Most Severe Developments and Suggest Opportunity for Income and Ultimate Profit

By J. C. Clifford

THE territory served by the Missouri - Kansas - Texas Railroad Co. and its subsidiaries is very aptly described by the company's title. Indeed, the name would afford a perfect description if it were only the Missouri-Kansas-*Oklahoma*-Texas Railroad Co., for the company's trackage stretches from St. Louis, Mo., in a southwesterly direction through Parsons, Kans., to Oklahoma City, while another line runs almost directly south from Kansas City through Fort Worth and Dallas to San Antonio and Galveston in Texas. There are also branches from the main stem which run westward in Texas and Oklahoma. In all, the system comprises some 3,200 miles of track.

Freight is about what one would expect from the character of the territory. Products of mines and agricultural products make up almost exactly half the total, while the other half is mainly manufactures and miscellaneous. Among the latter is included various refined petroleum products which is a very important classification in itself, as it accounts for around 20% of the total freight carried.

Before considering the road's revenues, one must first consider its capitalization, for this is so constituted as to have a material bearing on the significance of income. The Missouri-Kansas-Texas Railroad Co. is the result of a number of reorganizations, the latest occurring in 1921. This, although it had the effect of increasing the bonded indebtedness against the property from $143,000,000 to $165,000,000, really materially lessened the road's fixed charges burden, because $57,500,000 of the new company's funded debt was in the form of adjustment income bonds, the interest on which did not become cumulative until 1925. Also, the adjustment bonds were convertible prior to January 1, 1932, into series "A" preferred stock of an equal par value.

Missouri-Kansas-Texas Railroad Co.

Year	Total operating revenue	Available for fixed charges	Fixed charges Times earned*
1931	$34,383,380	$5,576,648	$1.31
1930	45,948,859	11,998,968	2.84
1929	56,024,439	13,631,935	3.22
1928	56,549,118	13,129,608	3.05
1927	56,181,528	12,599,076	2.82
1926	58,100,760	13,521,091	3.02
1925	57,309,345	13,340,869	2.98

*Not including interest on adjustment bonds.

Favorable Debt Ratio

The new capital structure proved extraordinarily successful. Between 1922 and 1929 inclusive the road's operating revenues held remarkably stable. They never fell below $55,000,000 and only once did they exceed by a small margin $58,000,000. Yet, a steadily improving operating ratio first placed the adjustment bonds in a sound position and then the preferred stock. As a result, holders of the bonds converted into stock and there is now only about $13,500,000 in adjustment bonds outstanding, compared with the original total of $57,500,000. The Missouri-Kansas-Texas Railroad Co., mainly because of this action, is in the enviable position of having the most favorable debt ratio of the southwestern roads.

Specifically, capitalization consists of $66,668,948 in preferred stock of $100 par value, followed by $66,672,473 representing 808,935 shares of no-par common stock. Funded debt totals some $107,000,000, so that this item is only about 40% of the total. In order to visualize the various component parts of this debt it is again necessary to go back to the reorganization of 1921. Among the bonds of the old company—Missouri, Kansas, & Texas Railway Co.—were a number of divisional issues and an issue of first mortgage 4s due 1990. These were undisturbed by the reorganization except in-so-far as holders were entitled to exchange them, without penalty for not doing so, for bonds in the new Missouri-Kansas-Texas Railroad Co. with a cash adjustment. The present funded debt of the system therefore consists of $39,413,000 in Missouri, Kansas & Texas Railway Co. 1st mortgage 4s of which $8,707,-

000 are pledged under other mortgages, less than $1,000,000 in divisional and equipment trust issues, while the balance is in bonds of the Missouri-Kansas-Texas Railroad Co. It is in the 1st mortgage 4s of the old company that we are primarily interested.

These bonds are secured by a direct first mortgage upon 1,112 miles of road and its appurtenances and by a collateral lien upon 222 additional miles. They are outstanding including those pledged, at the rate of less than $30,000 a mile—a sum which under no normal consideration can be considered excessive.

Under better conditions than those we are now experiencing the road has demonstrated an earning power widely in excess of fixed charges. Even in the depression year 1931, these items were covered 1.31 times over, a showing which was in marked and favorable contrast to that made by many other roads. The present year, however, is likely to be more adverse for the Missouri-Kansas-Texas than any in recent times. Not only has the depression intensified, but the modern tendency to use gas instead of coal for fuel and heating purposes and the continued diversion of the profitable petroleum products business to pipe lines and trucks, will all contribute to the poorness of the showing. While it is yet too early to estimate with assurance of accuracy the results for the whole of the present year, it is very much to be doubted whether the road will show fixed charges materially better than half earned.

No Early Maturities

Even though the road is in moderately strong financial position and will have no important maturities to consider prior to 1962, the failure to earn fixed charges by any such margin necessarily conjures up at least the possibility of yet another receivership for "Katy." The problem now to be considered is whether a receivership would be likely to affect the first mortgage 4s.

Interest on these bonds, including those pledged, plus interest on the divisional issues and equipment obligations, would require a sum in the neighborhood of $1,600,000 annually As the road is expected to show an amount available for fixed charges even in 1932 between $2,100,000 and $2,500,000 there would appear to be no immediate danger of the holders of the first mortgage bonds being called upon to forego any part of their rightful due. The margin, however, is not overhealthy on the face of it.

Nevertheless, it must be remembered

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Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue in the list is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Total Funded Debt (millions)	Amount of this issue	Interest* Times earned 1930	Interest* Times earned 1931	Recent Price	Yield to Maturity
★Norfolk & Western 1st Consol. 4s, 1996....	90	41	7.5	5.3	79	5.1
N. Y. Central & H. R. Mtg. 3½s, 1997....	584	94	1.6	1.0	68	5.1
Atchison, Top. & Santa Fe Gen'l 4s, 1995..	311	152	3.9	2.7	77	5.2
Pennsylvania Consol. 4s, 1948............	607	20	1.9	1.3	86	5.3
Union Pacific 1st 4s, 1947................	360	100	3.5	2.7	86	5.4
★Northern Pacific Prior Lien 4s, 1997......	313	107	2.2	1.6	67	6.0
★Missouri, Kansas & Texas 1st 4s, 1990....	107	31	2.8	1.3	56	7.1
★Erie R. R. Consol. Prior Lien 4s, 1996....	261	35	1.3	1.0	54	7.4
★Chic., R. I. & Pacific Gen. 4s, 1988.......	321	61	1.6	1.0	55	7.4
Baltimore & Ohio First 4s, 1948..........	604	82	1.7	1.1	61	8.5
Kansas City Southern 1st 3s, 1950.........	65	30	1.5	1.1	40	10.5

It should be noted that in the above railroad list some companies are hardly earning fixed charges on the entire funded debt, but since the selected issues for this classification are all prior lien issues, interest is earned amply for such senior issues.

Public Utilities

					Recent Price	Yield to Maturity
Phila. Electric 1st Ln. & Ref. 4½s, 1967..	166	34	3.1	3.2	97	4.7
Duquesne Light 1st 4½s, 1967............	65	65	6.7	5.7	96	4.7
Cincinnati Gas & Elec. 1st 4s, 1968.......	35	35	5.3	5.3	86	4.8
Illinois Bell Telephone 1st & Ref. 5s, 1956.	57	49	4.0	4.9	100	5.0
American Telephone Coll. Trust 5s, 1946...	471	68	6.1	6.4	99	5.1
Detroit Edison Gen'l & Ref. 4½s, 1961....	129	50	2.9	2.9	89	5.2
★Pacific Gas & Elec. Gen'l & Ref. 5s, 1942..	311	36	2.6	2.5	97	5.4
★Amer. Telephone Deb. 5s, 1965............	471	150	6.1	6.4	93	5.4
Pennsylvania Pwr. & Lt. 1st 4½s, 1981....	131	121	2.7	2.6	75	6.0
★N. Y. Power & Light 1st 4½s, 1967.......	67	66	3.0	2.7	76	6.2

Industrials

				Call Price		
Standard Oil of N. J. Deb. 5s, 1946.......	169	90	7.4	102	100	5.0
Lorillard (P.) Co. 7s, 1944...............	20	9	2.8	NC	103	6.6
Goodyear Tire & Rubber 1st & Coll. 5s, '57	63	56	2.8	103	63	8.6
Bethlehem Steel 1st & Ref. 5s, 1942......	118	13	4.3	105	72	9.4

High Grade Short Term Issues

	Due Date	Amount This Issue (Millions)	Price Call	Price Market	Yield Income Basis	Yield Maturity Basis
★Corn Products Refining 1st 5s.........	5/1/34	1.8	105	103	4.8	3.7
Detroit Edison 1st & Coll. 5s.........	1/1/33	10.0	NC	101	4.9	3.9
★Union Elec. Lt. & Power Ref. & Ext. 5s	5/1/33	6.2	NC	101	4.9	4.3
★N. Y. Telephone Gen'l 4½s...........	1939	61.0	110	100	4.5	4.5
Chicago Gas Lt. & Coke 5s	1937	9.9	NC	100	5.0	5.0
★Amer. Telephone Conv. Deb. 4½s.....	1939	12.9	105	96	4.7	5.2
★Chesapeake & Ohio 1st Consol. 5s.....	1939	30.0	NC	96	5.2	5.7
★Norfolk & Western Imp. & Ext. 6s...	2/1/34	5.0	NC	100	6.0	6.0
Portland Gen'l El. Co. 1st 5s..........	1935	6.8	107½	85	5.9	11.0
Bethlehem Steel Purchase Money 5s...	1936	22.3	105	77	6.5	12.5

* On total funded debt. NC—Not callable. (e) Estimated.

★ NOTE: Our preferences in the above lists.

ATCHISON, TOPEKA & SANTA FE RY. CO.

One Railroad That Has No Need to Borrow

With Fixed Charges of Less Than $1,000 a Mile, Surplus 30% Greater Than Stock Outstanding, and 30 Millions in Cash and Governments, Atchison Stands Unique Among Carriers, Though Pay-as-You-Go Policy May Force Common Dividend Omission

By Pierce H. Fulton

IN these days, with gross earnings still declining from 15% to 30% each successive month from the corresponding period of last year; with fixed charges, and even operating expenses, not earned for the first four months of this year, in the case of some of the largest systems; with bonds selling for less than half the price of two and a half years ago, with stocks at only small fractions of the figures then; with credit greatly impaired—gone entirely in some instances—a railroad that does not need to borrow is not only a rarity but a virtual curiosity.

It should be carefully watched by prospective buyers of railroad bonds and stocks. There are only a few others—no large system—in the whole United States. Probably Norfolk & Western is the single road in a correspondingly strong position.

The railroad that does not need to borrow is the Atchison, Topeka & Santa Fe Railway Co., generally admitted now to be the premier railroad, not alone of the Southwest, but of the entire country. Some observers not altogether familiar with the real position of this company, its physical properties and securities may question the accuracy of this characterization. Here are a few facts about the Atchison, which if carefully considered by all who want to know what railroad securities to buy in the immediate future and also later on when there are distinct signs of the depression coming to an end, should remove all doubts and afford the best possible information regarding this unusual railroad:

Atchison, Topeka & Santa Fe

A few high lights on the road that does not need to borrow.

Cash and government securities exceeding	$30,000,000
Notes or bills payable	none
Bank or government loans	none
Equipment trust issues	none
Funded debt, less than	$310,000,000
Fixed charges, per year	$13,000,000
Surplus exceeds outstanding stock by	$128,248,038

1—Cash and Government securities in treasury of Atchison and subsidiaries in excess of $30,000,000.

2—No notes or bills payable, either of parent company or any of its subsidiaries.

3—No bank or Government loans.

4—Current bills discounted inside of 10 days.

5—Funded debt less than $310,000,000—only $22,820 per mile of operated main track.

6—Fixed charges approximately $13,000,000 a year—$1,000 per mile.

7—No equipment trusts outstanding.

8—Current assets of $45,134,264 against current liabilities of $19,276,074.

9—Aggregate assets of $1,272,674,937.

10—Corporate surplus of $495,126,828, or $128,248,038 in excess of stock outstanding.

11—Physical property maintained at high standard—even now.

12—Equipment ready to handle 15% to 25% more traffic without much extra outlay.

Some one may ask how such a condition can be possible, in the face of the tremendous slump in railroad traffic and earnings since October, 1929. This question is perfectly natural and the answer the more striking when it is known that Atchison's gross earnings declined 20% in 1931, from 1930, 15% in the latter year compared with 1929, and that the rate of decrease for the first four months of this year averaged about the same compared with the corresponding period of 1931.

Actually, there is not only one reason but several why the Atchison has been able to maintain its present position financially and physically when most other roads, even some of the best

known and largest, are not earning fixed charges or operating expenses, and are borrowing to the extent of many millions from the banks and the Government, although only five months and a little more of this year have passed.

The following are some of the most conspicuous and vital reasons for the Atchison being what it is and having what it has today:

1—Road wisely located to command wide diversification of traffic.

2—Property was thoroughly and honestly reorganized in 1896, following the years comprising the period of the largest number of railroad receiverships in the history of this country. That period began in 1892 and 1893 and ended three to seven years later.

3—The capitalization placed upon the property then was conservative. It has been kept so ever since. As already shown, funded debt now is only a little more than $309,000,000, less than $23,000 a mile. Combined preferred and common stock totals $366,878,800, a trifle more than $27,000 per mile.

4—Hundreds of millions of dollars have been reinvested in the property out of earnings.

5—All equipment, a considerable part of improvements and betterments—even new construction—have been paid out of treasury resources, no new securities being issued.

6—The management never has been carried away with the general consolidation idea. Branch lines have been built and small roads bought from time to time, that were believed to be necessary to the rounding out of the system in the general territory occupied for many years.

7—Dividends on the common stock were kept down for years, although earnings were two to three times the rates paid. This in the face of tremendous pressure, and clamor even, for considerably more liberal disbursements. In 1929, the year of record earnings for Atchison and nearly all the railroads of the United States, there was a rather determined movement for a big stock dividend against the huge corporate surplus of $495,126,828, and a splitting up of the common shares.

8—A dogged determination on the part of the directors and officers to keep out of the borrowing class, even if the present depression should last considerably longer than most people are guessing it will.

What do these six points mean when boiled down to a single sentence? Simply this: *A well located, conservatively capitalized, honestly and aggressively managed railroad.* Why should there be any other kind of railroad?

If this statement is too brief and concise, take the following slight elaboration: What the Atchison is and has today and how it came into and continues in its present highly desirable, and practically unique position, simply represents what every railroad in the United States, on a relative basis and scale, should be and have, and what it would be and have, with a corresponding location, capitalization and management.

The three fundamental reasons why there are so many so-called "weak" railroads today, are an absence of these prime requisites—favorable location, conservative capitalization and efficient management.

Of course, no one who knows what he is talking about would be so foolish as to suggest even that possession of these requisites furnishes assurance of large earnings and dividends every year under all conditions. That this is not possible is shown by the returns on the Atchison—a road that has these requisites in an outstanding way. In 1929 it earned nearly $23 a share on its common stock. For the first four months of this year it lacked over $1,000,000 of earning fixed charges, not a cent for either preferred or common. The full 5% on the former may not be earned in the 12 months of 1932. There may be no balance for that issue out of earnings for the first half of this year.

A railroad cannot get traffic where and when it is not to be had, nor can it stem the tide of a world-wide depression like that which started late in 1929 and which, unfortunately, shows no signs of coming to an end soon.

It is equally true that there are several outstanding factors in the general situation that have worked adversely and unfairly against the making of larger earnings by all the railroads. Here are the most outstanding and burdensome: Excessive taxes, over-regulation by the I. C. C. and many state commissions, practically no regulation of new competing mediums, notably motor bus and truck, Government-subsidized inland waterways and airplanes.

Still the fact remains that in spite of these factors, with all of which Atchison had to contend, the same as other railroads, it has come safely through the depression so far, financially and physically, while some railroads have gone into receivership and others would be there now, had it not been for aid from the Railroad Credit Corporation and Reconstruction Finance Corporation. The difference between the Atchison and practically all the rest is partly in location but mostly in capitalization and management.

All the figures presented in this analysis so far have been taken from official Atchison records or gathered verbally from official sources, but there are other facts that cannot be obtained from official records, and these are given here exclusively for the first time:

Each year the Atchison carries in a certain account an amount sufficient to pay its fixed charges of a little more than $13,000,000 — this in addition to the purposes suggested by the title of this

Courtesy Santa Fe Railway

Santa Fe "Chief" in Cajon Pass, California

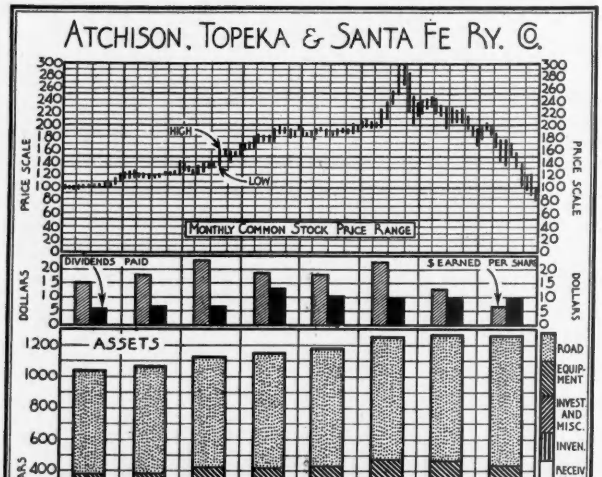
account. In other words, whenever necessary, Atchison can draw from this account a sufficient amount to pay fixed charges without taking a cent from current earnings and income, as given in regular monthly and annual reports.

The $30,000,000 or more cash and Government securities in the treasury at the present time is sufficient to do the following things if a single cent toward them should not be earned this year: pay (a) fixed charges of a little more than $13,000,000, (b) the full 5% dividend on the preferred stock, requiring $6,208,000, and (c) about 4% on the common, taking $9,686,000 more.

Some months ago, when the Atchison was required to move its New York office because the building in which it had been located for 29 years was about to be demolished, the owners of that building offered to pay the company's moving expenses and to buy all new furnishings that might be needed, in order to have this desirable tenant in the new building that was to take the place of the old structure. After considerable negotiation Atchison officials decided to take a lump sum for moving expenses and new furnishings and probably stay in the new office at the expiration of a comparatively short lease. The old landlord accepted the proposition, Atchison did its own moving, had its old black walnut board room furniture dressed over, bought a few new rugs and pieces of furniture—*and had several thousand dollars left.*

These are simple but highly significant illustrations of the way the Atchison runs its road in every respect. Coupled with the other reasons already given, this is why the Atchison is the railroad that it is today and why its earnings and securities should be watched closely by all prospective buyers of railroad bonds and stocks, particularly as the end of the mess in which the whole world has been, going on for three years, may shortly begin to dawn.

The main line of the Atchison runs from Chicago through Kansas City into Oklahoma, New Mexico and Texas, and on to California. Galveston is the important port on the Gulf of Mexico, while Los Angeles and San Francisco are the chief ports on the Pacific Coast. The main track operated in 1931 totaled 13,568 miles. Covering such a wide and extensive territory, it is easy to understand that the company's traffic is highly diversified. Last year products of agriculture contributed 30% of total freight traffic, wheat alone supplied 5,915,132 tons. Products of mines yielded almost 30% more, of which 2,076,973 tons was bituminous coal, copper ore concentrates supplied 2,994,917 tons, gravel and sand 2,131,939 tons, stone in various forms 1,083,661 tons and crude petroleum 790,988 tons. Manufactures and miscellaneous products furnished 31% of the total freight movement last year. Of this classification by far the largest amount—5,401,462 tons—was petroleum and all other gasolines.



In addition to a decrease of $32,336,463 in freight earnings in 1931, there was a decrease of $8,623,117 in passenger and $4,280,205 in mail, express and miscellaneous receipts—an aggregate loss of $45,280,205 from 1930.

For the first four months of this year gross earnings made a further decrease of $13,511,128 and net railway operating income $2,717,985 from the corresponding period of 1931.

At the end of March of this year Atchison had a deficit on fixed charges of $725,297. While the exact figures are not obtainable, it may be safely assumed that on April 30 the net loss stood at about $1,100,000. This meant that nothing had been earned for either the 5% preferred or the common stock, on which the dividend was reduced at the April meeting from $1.50 to $1 a share.

The fact that the preferred, for so many years, regarded as a fine railroad investment, had dropped from 86, the high of this year, to below 45, naturally led even holders of the stock to question whether the regular dividend would be maintained.

The directors will meet, probably on June 28, to act on the common dividend. After the April meeting the directors issued a statement that continuation of dividends on that issue "must depend upon improvement in the corporation's earnings." Special attention should be given to that word "must." It is highly significant, particularly in the light of a statement made to the writer by an Atchison official shortly before the last reduction in the common dividend. It was this: "I see no reason why a railroad should sell Government bonds in its treasury to continue common dividends, under present conditions."

As there has been no improvement in Atchison's earnings since the April meeting, and as none is expected to the end of June, except of a seasonal character—and that is likely to be extremely moderate this year—it is perfectly logical to assume that the common dividend will be omitted on the last Tuesday of this month.

Why a railroad with $30,000,000 or more cash and Government securities in its treasury should take such a step, may be asked on the theory that this surplus belongs to the common stockholders and should be used to maintain their dividend.

The only possible answer to the first part of this question is that the action suggested would be justified. With respect to the latter part, the Atchison board takes the ground that it might be best eventually to omit the common stock dividend until earnings are decidedly better, keep out of the borrowing class during the depression and

(Please turn to page 252)

Oils Present Speculative Opportunity

Supreme Court Approval of Proration Encourages Controlled Conservation of Resources, and Adds to Favorable Factors in Situation — Mergers, Reduced Refinery Operations, and Better Statistical Position Tend to Reassure the Industry

By NICHOLAS T. CALHOUN

During the current and coming months, consumption of gasoline and oil will be at the year's peak. This seasonal expansion is not only the result of the much greater mileage exacted from pleasure vehicles, but because of the increased operation of commercial vehicles and the heavy summer schedules of passenger buses, many of which practically suspend operations during the colder months.

While this is therefore a timely discussion of oil, the present article deals more with the fundamental changes which have lately taken place, rather than with seasonal conditions. The basic betterment in the petroleum industry has been such as to have considerable interest to the speculator at the present time, despite the fact that the extreme obscurity surrounding the course of general business is an offsetting influence. Nevertheless, admitting the risks, there are undoubtedly those willing to accept them. They will, of course, as always, be guided by their own particular circumstances and by the current discussion on the general market outlook.

THINGS are looking up in the oil industry. Indeed, if the business which has been depressed so long and so severely had not shown improvement soon, there would have been many missing faces around the table and even those that remained would have been pinched and drawn. But it well may be asked if the turn for the better represents a speculative opportunity? The improvement may even have been overlooked, for the public has been disappointed so long and so often that there undoubtedly is an inclination to view the whole industry as hopeless from a money making standpoint. So, let us see exactly what has occurred.

At the beginning of last year the petroleum industry was well embarked upon a policy of self-ruination. It had the advantage of a stable demand—even a growing demand for the greater part of its products. There is not one single other major industry which can say the same. Even the production of electric power, often cited for its stability, is quite depressed on a volume basis in comparison with oil. Yet the oil industry threw away all its natural advantage. Wells were drilled apace, the East Texas field ran riot, refiners wallowing in a sea of oil scooped up more than they needed and added gasoline to the flood. The result of such an abundance was reflected in prices. Crude oil was given away and gasoline in many states brought less than the tax. Inventory losses on the part of the companies engaged in the industry were enough to make even Croesus wince.

But at last the situation became so deplorable that something was done—as is almost invariably the case. Proration in Oklahoma and Texas was enforced at the point of the gun, despite vociferent objection on the part of the near-sighted minority. Lawsuits and injunctions filled the air, but to little avail. And now that the highest court of the nation has upheld the Oklahoma proration law, a repetition of such a waste of oil, legal talent, vocal chords and money is hardly likely to take place.

In previous articles we have discussed the somewhat better statistical position into which the oil industry was working itself and pointed out that internal bracing was taking place as the result of semi-forced consolidation. In the meantime, however, there have been several new and interesting occurrences. For example, it now seems likely that the tariff on oil which has been incorporated into the pending tax bills will actually be put into effect and the results might easily be of great significance to particular companies. In any event it will cause considerable re-routing of business.

The tariff may be expected to exert a favorable influence upon domestic producers, although there is always the possibility that they might, by their own actions, give up the advantage—a reversion to uncontrolled production would have this effect. On the other hand, the tariff might easily be unfavorable to those companies having coast refineries dependent upon imported oil and upon those with foreign production. While it is yet too early to venture an opinion as to which companies will be affected favorably and which unfavorably—to say nothing of the fact that the bill has still to be passed—the probabilities are that no great damage will be done any important company. This is because domestic requirements will be filled from domestic production, while foreign requirements will be filled from foreign production.

In this connection, it was significant that the Standard Oil Co. (Indiana) recently sold to the Standard Oil Co. (New Jersey) its interest in the Pan-American Petroleum and Transport Corp., the latter together with its subsidiaries being an important producer

Among the Leading Oil Companies

Name	Earned per Share 1929	1930	1931	Price	Div.	Yield %
Atlantic Refining	$6.20	$1.01	$0.19	$11	$1	9.1
Consolidated Oil	NF	NF	NF	5	..	..
Gulf Oil	9.83	2.35	Nil	26	..	..
Phillips Petroleum	5.19	0.71	Nil	3½	..	..
Socony-Vacuum	NF	1.15	Nil	7	†	†
Standard Oil of California	3.63	2.87	1.11	18	2	11.1
Standard Oil of Indiana	4.66	2.73	1.04	19	1	5.3
Standard Oil of New Jersey	4.76	1.65	0.34	24	1*	4.1
Sun Oil	5.60	5.10	1.63	27	1	3.7
Texas Corp.	5.12	1.53	Nil	10	1	10
Union Oil California	3.36	2.19	0.70	9	†	†

† Indeterminate annual rate. NF—Not available. * Plus extras.

abroad. This was done presumably because the Indiana company's foreign organization was much less complete than that of the Jersey company and the plan would utilize Pan-American's facilities to greater advantage. Should the oil tariff become effective, it will indeed prove to have been a fortunate move.

Nevertheless, the better statistical position into which the oil industry is working inself, the benefits of consolidation and the results of a tariff, all pale into insignificance before the recent United States Supreme Court decision. Not only will this affect Oklahoma, the particular state named in the case, but it will make it easier for the prorationists to have their way in other states. Furthermore, it must be remembered that Government investigations show that under the catch-as-catch-can methods which used to be in vogue only between 15% and 20% of the total oil is recovered from a pool, whereas under strict proration 50% or more can be recovered ultimately.

The upholding of proration promises to bring about a fundamental change in the industry. Indeed, it conceivably ushers in a new era. Of course, an investigator of the present situation will discover many possible sources of danger. The really sound basis for which oil has been struggling for years is still a long way from being an accomplished fact. But if it were, one can rest assured that the prices for oil securities would be very different from what they now are. In a word, it is useless to expect to profit financially from anything which is over and done with, and about which the whole world knows.

Selecting a Company

In the case of the oil industry under present conditions, however, the speculator by careful selection of stocks may largely limit his risk to his own particular capacity for absorbing possible loss. Should this be small he might wisely confine himself to a moderate commitment in Standard Oil Co. (New Jersey), whose immensely diversified activities and impregnably strong financial position are such as to offset even the possibility of having thoroughly misjudged the near future of the industry. On the other hand, should he be in a better position to assume risk, or feel more confident of the future, he might make a selection from the better of the smaller companies. Let us review briefly the high lights of the possible candidates.

Of course, last year's earnings in every case without exception made a pitiful showing and were the natural reflection of the disastrous conditions which prevailed. Even the Standard Oil Co. (New Jersey) out of a gross operating income of nearly $1,085,000,000 succeeded in reporting a net profit of only $8,705,000. This was equal to less than 34 cents a common share, compared with $1.65 in the previous year and with $4.76 in 1929. Nevertheless, despite the fact that the continuance of common dividends at the old rate of $2 a share combined with a deduction for reserves resulted in a decline in surplus of more than $42,500,000, the Jersey company closed the year in its usual strong financial position. Current assets totaled $671,154,621, including cash of $73,196,486 and marketable securities of $206,604,534, while current liabilities amounted to $85,916,258.

While the present price of $24 a share for the common stock of the Standard Oil Co. (New Jersey) in view of what may be considered normal earning power for the company is not over-high, it should be clearly realized that the present dividend is not wholly safe. Indeed, the president in his report for last year stated that "use of earnings of the past for payment of dividends cannot continue indefinitely," and that "there must be an improvement in our business to justify the present rate." Nevertheless, the improvement which has been registered already in the industry undoubtedly makes the dividend safer than it was but recently.

Another strong company which merits the speculator's consideration is the Standard Oil Co. of California. It seems at the present time, however, as if it would make little difference whether he becomes interested in this company or in the Standard Oil Co. (New Jersey) for barring legal obstacles the two are to merge. Indeed, he might even be content to obtain his interest in this colossal combination via the Standard Oil Co. (Indiana), which, as has been seen, disposed of its interest in the Pan-American Petroleum & Transport Corp. to the New Jersey company, and now holds some 3,000,000 shares of the latter. For the time being, however, let us consider them all as separate entities.

The California Standard

The Standard Oil Co. of California, while very much smaller than the Standard Oil Co. (New Jersey) and lacking much of the latter's diversification of interest, nevertheless definitely ranks among the first handful of companies as a producer of crude and is considered as the world's third largest refiner. It is also extensively interested in the natural gas industry of the Pacific Coast.

For last year net income equivalent to $1.11 a common share was reported compared with $2.87 a share for the previous year. The latest showing, of course, was insufficient to cover the regular $2 dividend and, although a good financial position was reported as of the end of last year with current assets totaling $90,040,000 against $9,174,000 in current liabilities, it foreshadows a reduction in disbursements to stockholders should the expected improvement in the industry fail to materialize. Nevertheless, the company's normal earning power is high and, believing that there is at least the possibility of the merger with the Standard Oil Co. (New Jersey) being carried out on a share for share basis, it might be considerably more profitable, though slightly more risky, to purchase the former around $18 a share rather than its larger contemporary at $24.

In the Standard Oil Co. (Indiana) a prospective purchaser is presented with a somewhat different type of en-

terprise from those already discussed. It is generally placed as being the largest refiner of gasoline in the world and the company's immense activities are thoroughly concentrated in the Middle West. For last year the company reported earnings equivalent to $1.04 a share, or an amount barely sufficient to cover the reduced dividend of $1. Financial position is good.

Another company which, although it is a completely integrated unit in the petroleum industry, may be stated to be virtually in the gasoline business is the Texas Corp. Here, however, the company's scope of operations is nationwide and there is not a state in the Union where "Texaco" cannot be bought. Indeed, this is perhaps more disadvantageous than advantageous, for there are undoubtedly too many gasoline stations in the country and competition in this phase of the industry has become particularly keen. While the Texas Corp. is a strong and well-entrenched unit it might justifiably be considered that the merchandising of gasoline and oil to have been over-emphasized.

Conservatism Personified

The Gulf Oil Corp. whose stock is currently quoted on the New York Curb Exchange around $26 a share, is remarkable for the conservatism of its bookkeeping practice. It carries plant and fixed assets on its books at only 51% of cost and continues to charge off intangible development costs against the year's earnings. While last year a very substantial loss was reported and the company desiring to maintain its strong cash position passed the dividend on the common, the stock is one which would be well to investigate further.

It is generally true when an industry takes a turn for the better that the greatest percentage gains are made by the smaller units in the field. Among these Sun Oil Co. is certainly worthy of consideration. Except in regard to size, the company might well be compared with the giants which have already been mentioned. It is an old-established and completely integrated business, consisting of oil lands, pipe lines, tank cars, tankers, refineries and filling stations. Furthermore, the company is interested in Texas sulphur production and has a wholly owned subsidiary, Sun Shipbuilding & Drydock Co.

While Sun Oil's earnings for the past year declined to $1.63 a share compared with $5.10 in 1930, it much be remembered that many of its larger and perhaps better known contemporaries reported large deficits for the later period. Moreover, the $1.63 which was earned for 1931 was sufficient to cover the regular dividend of $1 with a comfortable margin to spare and affords the reason why the stock at current prices of $27 a share yields less than 4%.

Larger than Sun, but probably more speculative from the stock market angle, Phillips Petroleum Co., wins its position in our list of candidates because it is understood to be registering rapid improvement. The company, which has expanded materially in recent years, possesses large oil reserves, principally in Texas, Oklahoma and Kansas, refineries, an extensive pipe line system and retail outlets. It is also very extensively interested in natural gas, some of which is employed in the manufacture of carbon black and some in a liquified form for domestic and industrial uses.

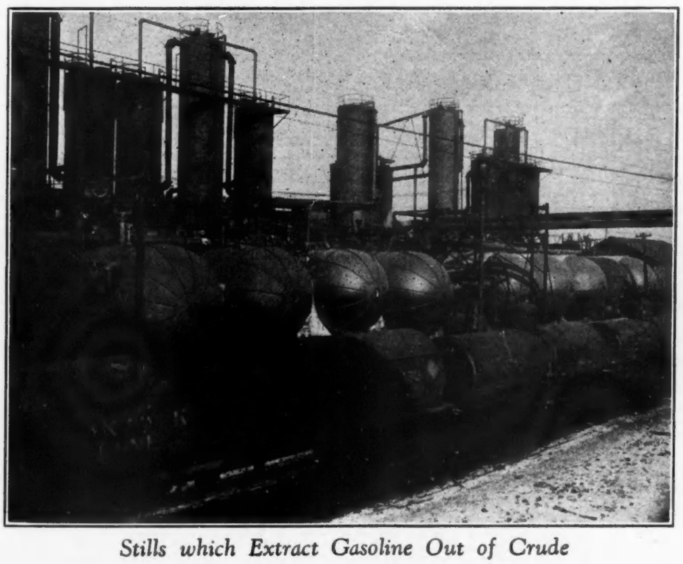
Phillips Petroleum in the past two years has not only been unfavorably affected by the poor conditions existing in the industry, but its program of expansion depleted current assets to a point where recourse to the banks had to be made. At the peak last year, bank loans totaled some $18,000,000 but at the end of the first quarter of the present year they had been cut approximately in half. This in itself is evidence of a very much improved situation and we would be disinclined to over-emphasize the importance of the fact that owing to book charges for reserves the first three months of the year resulted in a reduction of surplus. Particularly is this so in view of the fact that the improvement in the industry of which we have been speaking virtually dates only from the beginning of the year's second quarter.

The common stock of the Phillips Petroleum Co. is currently available between $3 and $4 a share and, although it should be definitely recognized that the company still lacks that strong financial position which is so much to be desired at a time like the present, improvement at least has been registered. Also, it must be remembered that should the industry be turning the final corner to prosperity the company's recent expansion will prove decidedly beneficial to stockholders, rather than the drag upon their equity as has been the case.

The Choice Is Wide

In addition to the specific companies which have been so briefly mentioned, there are a number of others which the prospective speculator in oil securities might even consider preferable. Some of them are to be found in the accompanying table. It is impossible, however, to cover the entire industry in the space at our disposal, and we have attempted only the merest outline of a speculative course which might be followed at the present time with at least some logic. While the situation may not develop as expected, it must be remembered that the oil industry entered its depression a year or two prior to the general depression which has now overtaken the world, and on this basis ought to be somewhat further along in the adjustment process. On top of this some signs of betterment are evident, which may conceivably be the final turn.

Also, something may be accomplished at the World Oil Conference whose report will be available when this is in print. Such a combination of developments at a time of terrible security depression surely warrants moderate speculative purchases of carefully selected oil stocks.



Stills which Extract Gasoline Out of Crude

PUBLIC UTILITIES

INTERNATIONAL TEL. & TEL.

Are Present Price Levels Justified?

Leader in International Communications Field Oppressed by Current Problems Created by Depression and Fear of Reorganization—Managerial Ability Under Test—Foreign and Domestic Difficulties Contrasted

By Francis C. Fullerton

THE International Telephone & Telegraph Corp. was founded in Cuba in 1920 upon an idea and a rather limited amount of capital. Under the subsequent sponsorship of the most powerful banking interests in America, it has become the giant of international communications, with assets of more than 600 millions of dollars. Its stock, starting its career on the New York Stock Exchange in 1932 at $64 per share, had appreciated by more than 700% at the peak of the market in 1929.

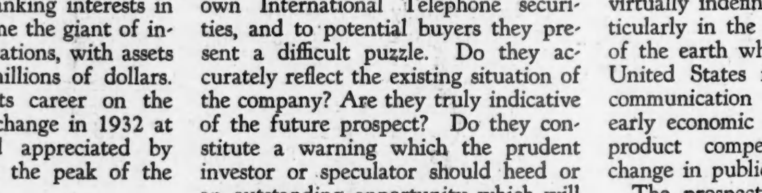
At that time it seemed to many that another typical story of pioneering business success had been written, with an eminently happy ending—but the story goes on and its chapters since 1929 make far less pleasant reading. The company's far-flung network of telephone, telegraph, cable and radio properties remains intact, but profits have waned. Managerial effort has turned from aggressive expansion to the problems of consolidation and survival. The common stock, split 3-for-1 in 1929, has declined from the 1929 high of $149 to a recent price of less than $3, and the company's debenture bonds, representing its only direct funded debt, currently sell at between 20 and 30 cents on the dollar.

Such prices necessarily weigh heavily upon the minds of the thousands who own International Telephone securities, and to potential buyers they present a difficult puzzle. Do they accurately reflect the existing situation of the company? Are they truly indicative of the future prospect? Do they constitute a warning which the prudent investor or speculator should heed or an outstanding opportunity which will exist only temporarily during world-wide depression?

In such a situation it is perhaps advisable to look first at its broader aspects and fundamentals. Otherwise, there is a risk that we will not see the forest for the trees. Communication is not only an essential and indispensable service, but is one of the few industries favored by the certain prospect of virtually indefinite future growth, particularly in the many developing areas of the earth which lag far behind the United States in such facilities. In communication there is no threat of early economic maturity, no threat of product competition, no threat of change in public tastes or habits.

The prospect, regardless of the retardation caused by temporary depression, is an ever-growing demand throughout the world for efficient communication, whether by telegraph, cable, telephone or radio, or such combination of these particular facilities as technical progress proves most practicable.

Intrenched in each of these fields of communication, as well as in the manufacture of communication equipment, the essential problem of International Telephone does not lie in current or prospective conditions, but in its own internal adjustment to those conditions. Under whatever management, under whatever form



of capitalization, the valuable service rendered to the world by its physical properties will go on.

Change, of course, would be possible in the ownership of those properties or in the present security relationship to them. It does not appear, however, to be in reasonable prospect, in view of the powerful banking sponsorship which the corporation enjoys and the relatively elastic composition of its capital structure.

Debt a Major Problem

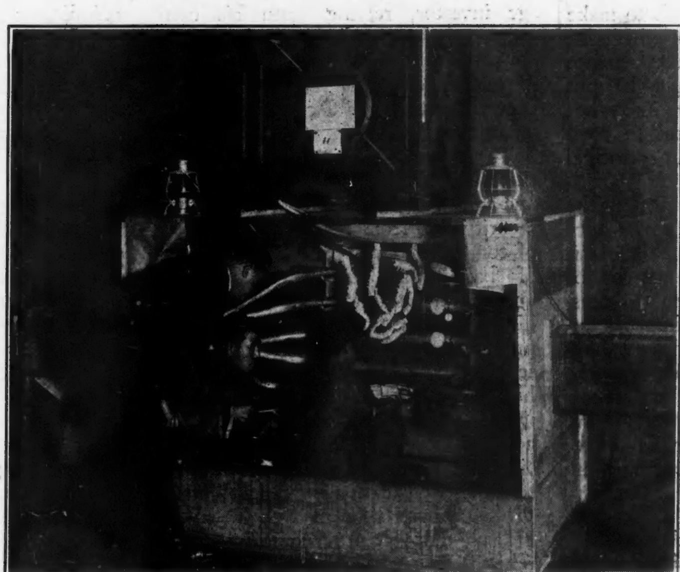
In time of acute depression debt is a major problem with corporations as with individuals. In its bearing upon corporate survival, it is perhaps more important in form than in total. Thus, a substantial proportion of mortgage bonds, secured by a lien upon its properties, necessarily gives an embarrassed company little leeway to adjust its affairs without receivership and reorganization. It has surrendered freedom of managerial action to a considerable degree in mortgaging its properties.

This article will not attempt the impossible task of appraising the current value of Internatioanl Telephone assets. Quotations throw little light upon permanent values. As to the question of whether existing obligations are supportable by earnings under anything like normal business conditions, the answer is that fixed charges were covered approximately twice over under the difficult conditions of 1931. Earnings for the early months of this year are reported virtually on a par with those of the last quarter of 1931, indicating continued coverage of fixed obligations.

The flattening out of the downtrend in earnings is due wholly to internal economies and efficiencies; it need hardly be said that there has been no improvement in external conditions. The benefits of internal adjustments should be more fully realized in 1932 than in 1931, both because they were not in effect in their present intensity throughout last year and because the company has had additional time to consolidate and integrate the properties assembled in its rather rapid period of expansion during the boom years.

The extent to which these internal factors could offset any further decline in the general level of world business is, of course, conjectural, but current results appear to indicate that business would have to move substantially lower to threaten full coverage of present charges.

Even though it appears unlikely that world business will recede much further from present unprecedented depths, it is worth while to consider the worst possibilities, for that, frankly, is what many security owners are doing, as reflected in prevailing quotations. Whether justified or not, in this country a certain fear attaches to any enterprise which is heavily committed in foreign lands. It is not a particularly well-informed or discriminating fear. The transfer of foreign balances into dollars is a real problem for International Telephone, but it should scarcely be necessary to point out that this is a factor apart from the physical properties and that it will not be permanent. As for actual business operations, it will no doubt surprise many to know that the company's foreign activities have held up better than those at home.



Training Natives for Plant Work with Shanghai Telephone Co.

If still worse conditions are to develop, the investor may well look to the capital structure. From the point of view of a continuing management, it is a relatively favorable set-up. The total consolidated funded debt of the parent company and its subsidiaries is $187,599,000. Preferred stocks of associated companies total $37,958,000. Outstanding common stock amounts to 6,400,000 shares, carried on the balance sheet at $214,563,000 or approximately $33 per share.

Of the consolidated funded debt of $187,599,000, a total of $122,661,000 is represented by debentures of the parent company. These are direct obligations but are not secured by mortgage and constitute no impediment to financing under normal market conditions. Another large part of the funded debt, $50,670,000, consists of collateral trust bonds of the Postal Telegraph & Cable Corp. This leaves only approximately $14,000,000 of subsidiary funded debt and not all of this amount involves a mortgage lien upon properties.

Capital Structure Relatively Favorable

Thus, relatively free of mortgage debt, the company would seem, under virtually any conditions, to be in a position to work out is own destiny without the likelihood of any drastic changes in capitalization. Of more practical importance than funded debt are bank loans, which totalled approximately $44,000,000 at the end of last year and which were reduced by $1,000,000 during the first quarter of this year. It is understood that no further borrowing is contemplated this year. In view of the company's banking connections, there appears little reason to doubt that its floating debt will be carried until funding in the security markets is possible.

In relation to the company's balance sheet valuation of total assets at $615,000,000, current security prices go notably far, if not too far, in discounting depression values. Postal Telegraph bonds to the face value of $50,670,000 are valued in the current market at $9,500,000. International Telephone debentures of the face value of $122,000,000 are valued at $35,000,000. The common stock is valued at $25,600,000. Taking these appraisals, and including subsidiary preferred stocks at par, bank loans and mortgage bonds of subsidiaries, the aggregate market appraisal is less than $170,000,000. If one could conceive of the cor-

(Please turn to page 248)

INDUSTRIALS

Preferred Stocks of Market Leaders Have Interesting Possibilities

Enforced Liquidation and Investor Indifference Combine to Establish High Yield Basis for Numerous Issues, Many of Which Hold Promise of Reasonable Price Recovery

By Ward Gates

So sadly disarranged are the average investor's ideas regarding what constitutes merit in a security that he finds it difficult to make an investment choice upon which his mind rests easily. As a consequence many a dollar which might be put profitably to work lies idle, its owner frittering away his principal to meet current expenses when that principal easily might be kept intact while yielding sufficient income to maintain the investor in the style to which he once was accustomed. Because he finds it difficult to determine just what sort of investment formula to use in the present phase of business and financial uncertainty, he is likely to content himself with the observation that after the skies have cleared, and the business prospect brightens, investment values will be more readily discernible and he can then work out the problem of investing to advantage.

The fact of which sight is lost completely is that by the time the economic equilibrium is restored the security market's readjustment will be a part of the financial history, and capital will have to be satisfied with a smaller yield than is now obtainable upon the highest grade of securities.

It is not to be gathered from this, however, that the opportunities of today stand in bold outline against the horizon, and that the timid investor is to be reprehended for procrastination. In fact, many issues whose attractions may seem obvious will prove in the long run to have been entirely lacking in merit. Superficial scrutiny determines nothing, and may set in motion a train of false reasoning—or rather, a perfectly logical sequence of assumptions leading to a conclusion that is false because the starting point was wrong. It is not only in disturbed times such as the present that the average investor, relying upon his own judgment alone, is likely to be misled by surface indications but in normal times the element of fear or indecision does not intrude as a confusing factor and price depressant.

The current of enforced and necessitous liquidation in the past two and one-half years has carried the entire security list, from the most speculative of common stocks to the highest grades of fixed-income issues, to levels that appear to discount absolute economic disaster. In the fixed-income group preferred stocks of long seasoning and seemingly impregnable earning power, have been deflated to prices that in many instances are the lowest in a decade and more. Little greater consideration has been accorded to them than to highly speculative issues in the same group, whose title of "preferred" is scarcely more than a technical courtesy. That is to say, they may be preferred as to earnings and assets, but vanished earnings and heavily mortgaged, dwindling assets are not particularly attractive as backgrounds especially where hope of recovery is dim.

An Unusual Combination

The investor who realizes that the preferred stock list offers not only the opportunity of obtaining an unusually high yield, but the probability of an eventual enhancement in market value, finds himself confronted with a puzzling situation. In ordinary times he has looked upon high yield as a sort of danger signal and is disposed to look askance at a yield of more than 6%. It is difficult to realize that yield is an indicator and not a factor, and that while relatively high yield may be an indicator of lowered dividend safety in normal times when investment funds are not lacking in courage and business confidence is general, its value as a safety indicator is reduced when money becomes timorous and confidence is lacking; other considerations must then be accorded relatively greater weight. For one thing it must be recognized that however entitled an issue may be to investment classification, and however it may appear to be divorced from speculative trading influences, nevertheless, it is affected at all times by its own technical market position—the relation between demand and supply. And, that when an entire market is under pressure, when capital takes flight, when buyers desert the market place, the high grade investment issue acquires all of the market characteristics of a speculative trading medium.

There is ample justification for the assumption that the phase through which the security market is passing is a part of the final readjustment. If, in the course of this readjustment some new individual or average lows are reached the fact will not be particularly significant. In retrospect they are likely to present the same chart picture as the series of successive new highs reached by the market in the months preceding the 1929 collapse, and just as the trader and investor who abandoned the market on any of the bulges in 1929 subsequently congratulated himself on his acumen and did not regret his failure to realize the ultimate eighth, so the investor who selects his securities wisely in the cur-

rent situation should have no cause later on to bemoan the fact that he might have saved a point or two here and there had he waited another few weeks.

Scanning the Market Leaders

In making a selection from the higher grade of preferred stocks, the best concentration would appear to be on those issues in which, after safety, the marketability factor is high, further narrowing the choice to stocks of companies in which there is not only a fairly broad general interest but on which ample and timely data is available. While no particular industrial group dominates, the list would be made up very largely of companies whose common stocks at least are among the so-called market leaders. This is not of itself a recommendation, for among the market leaders there naturally are a number whose futures are not at all assured, and which have passed out of the picture, for the time at least, as dividend payers. United States Steel, International Harvester, American Radiator and similar corporations are operating "in the red" and proffer no immediate hope for a recovery in business sufficient to justify market improvement.

Several of the preferred issues of the market leader type have been discussed in very recent issues of THE MAGAZINE OF WALL STREET, among them Consolidated Gas of New York, du Pont de Nemours, Liggett & Myers and New York Telephone. Elsewhere in this issue there will be found a detailed analysis of Atchison, Topeka & Santa Fe, whose preferred shares merit consideration, and in the accompanying table eight others combining substantial yield, safety and marketability are presented. It will be observed that with two exceptions none of these eight is encumbered with funded debt, and the preferred, therefore, has first call upon the net income. From these eight, four may be chosen for closer study—American Tobacco, Coca-Cola, Eastman Kodak and National Biscuit for special scrutiny and appraisal as investments. Additional comparative statistical data regarding the selected four will be found in the supplementary tables on page 228.

American Tobacco not only was able to show an increase in the 1931 per share earnings on the preferred over 1930, but over the past eight years has averaged $55.30 per share on the preferred. From 1924 when the corporation was able to show $39.43 earned on the preferred to 1929 when $57.27 was earned the yearly increase was moderate. In the next year net per share jumped $25 to $82.16 and a further advance of to $87.64 in 1931 indicated that the 1930 expansion in earnings was not attributable to unique circumstances, and that the company had consolidated its position. In spite of this American Tobacco preferred sold down to 96 last year, the lowest in almost a decade, and while it negotiated a recovery early this year at 110 it only recently slumped abruptly, breaking through last year's low.

American Tobacco is the leader in the tobacco field. It has held its own against the keenest of competition. It is getting a persistently increasing percentage of the tobacco and cigarette business, and the recent shift noted from cigarette consumption to other forms of tobacco has not affected the company's business. The financial position at the end of 1931 was the best in the company's history, with current assets in a ratio of 32 to 1 of current liabilities; the cash item in assets alone was six times the total of current liabilities. It may well be that the preferred dividend earnings this year will fall somewhat below 1931, but it is difficult to imagine them declining to the level of 1929 when the stock ranged between 114⅝ and 121¼.

Nothing in the current situation or business prospect for American Tobacco warrants any loss of confidence on the part of shareholders. In all the circumstances the yield around 6% at current prices is high and any slight improvement in general market conditions should be favorably reflected in the market price of the issue. The long term investor, concerned primarily with income assurance and safety of principal, may well consider American Tobacco preferred as an attractive addition to his portfolio.

Coca-Cola

Coca-Cola's cumulative class A stock is virtually a preferred issue. The company has no funded debt and of the original 1,000,000 share issue the company has accumulated by purchase for investment 308,620 shares at an average cost of $49.87 a share. Of these approximately 88,000 shares were purchased during 1931 and to some extent this accounts for the increase in per share earnings. Coca-Cola net income has been steadily on the increase, and from 1920 has risen from, roughly, $2,000,000 to $14,023,622 in 1931. In 1927 a common stock dividend of 100% was declared and the cumulative A issue was distributed in 1929 as a share for share dividend on the common. In the first quarter of this year earnings showed a decrease of 7¾% from the same quarter of last year, but unofficially it has been stated that this year was somewhat ahead of last year before the deduction of non-recurring charges. In the current quarter the company expects to make a favorable showing in view of the low cost of sugar and other decreased manufacturing and distribution costs which practically offset the moderate decline in gallon sales attributed to the lowered buying power of the country.

Coca-Cola's balance sheet, it must be admitted, does not disclose substantial tangible assets. Current assets of 17.2 million dollars include cash and Government securities of 7.5 million; current liabilities totaled 3.24 million and working capital was placed at $13,956,000 at the end of 1931. Plant, land and buildings are carried at less than 7 million dollars. Coca-Cola, however, to a great extent is a good-will enterprise. The trade name sells the product and a liberal advertising policy keeps name and product before the world. No great

Preferred Stocks of Market Leaders

Company	Outstanding shares	$ div.	Earned per share 1930	1931	Current price	Current yield %
*Allied Chemical & Dye.	392,849	7	$63.90	$48.20	100	7.0
*American Can	440,000	7	55.50	37.66	95	7.3
American Tobacco	526,997	6	82.16	87.64	96	6.2
*†Coca-Cola	691,380	3	17.32	20.28	45	6.6
Corn Products	250,000	7	52.67	38.70	105	6.6
*Eastman Kodak	61,657	6	330.11	217.47	108	5.5
*General Motors	1,875,366	5	81.99	51.60	63	7.9
*National Biscuit	248,045	7	92.24	79.58	105	6.6

* Has no funded debt. † Class A cumulative.

Note—Statistical data concerning other issues discussed in this article will be found in the Preferred Stock Guide on page 231.

amount of inventory or plant investment is necessary as the company manufactures the syrup and sells it to independent community corporations holding exclusive bottling and vending franchises. Gross sales in 1930 and 1931 topped $40,000,000 and yielded an operating profit of 16.9 million in 1930 and 17.1 million in 1931.

With the class A stock having first call on net earnings, and requiring now less than 2 million dollars for dividends the issue appears well protected against any adversity. Even the possible moderation of the country's prohibition policy seems negligibly important in view of the fact that the product has demonstrated its ability to compete against any other beverage, temperance or otherwise, not alone in America but in 77 other countries—in 33 of which bottling plants are operated; the other countries import the bottled product. One also must consider that the company's policy of gradually retiring the class A stock through open market pur-

American Tobacco Co.

PREFERRED STOCK

Earnings and Price Range

Annual Dividend Rate................$6.00

Year	Earned per share	Price range High	Price range Low
1927	$44.14	120	110⅛
1928	47.47	126	115¾
1929	57.27	121¼	114⅝
1930	82.16	129	120
1931	87.64	132	96
1932	....	110⅛	95¼

chases provides potential or latent buying power which serves as a check against what may be politely described as unnecessary liquidation. The issue has fluctuated over a six-point range this year and throughout 1930 held between 46 and 53½. At current levels therefore it is selling around the low for the year. It appears attractive, with a yield of approximately 6⅔%, but it must be conceded that it has only moderate possibilities in the way of price appreciation, for it is callable at 52½.

Eastman Kodak

Eastman Kodak preferred presents somewhat of an anomaly. The yield on the issue is but a bit over 5½%, the lowest on any of the issues under consideration. Yet net earnings of Eastman Kodak in 1931 were actually the lowest since 1914, and as contrasted with 1929—the peak year—and 1930 showed a falling off of 40 and 35% respectively. The actual figures were $13,408,785 in 1931, $20,353,788 in 1930 and $22,004,915 in 1929. One must turn to the small amount of preferred outstanding for an explanation of the failure of what is really a tremendous drop in earnings to affect seriously the attractiveness of

Coca-Cola Co.

CLASS A STOCK

Earnings and Price Range

Annual Dividend Rate................$3.00

Year	Earned per share	Price range High	Price range Low
1929	$12.76	50⅝	44¾
1930	17.32	53	48⅛
1931	20.28	53⅛	45⅝
1932	....	50	44

the issue. The company, in the first place, has no funded debt though the balance sheet for December 31, 1931, reveals, for the first time, a current liability item of 4 million dollars in notes payable. The preferred stock, consisting of but 61,657 shares, calls for but $369,942 in dividends, and it is obvious that there is little likelihood of Eastman's earnings being depleted to a level at which the preferred dividend would be in even probable danger. Three months ago the company discontinued the extra dividend on the common—for the first time in 27 years—and at the rate of $3 a year, which has been the extra rate since 1925, the common dividend disbursement this year will run approximately $6,800,000 under the distribution in 1931. Per share earnings on the preferred in 1931 were $217.47, against $330.11 in 1930.

Eastman Kodak is the leading distributor of and producer of photographic equipment and supplies, its output covering the entire range of this

Eastman Kodak Co.

PREFERRED STOCK

Earnings and Price Range

Annual Dividend Rate................$6.00

Year	Earned per share	Price range High	Price range Low
1927	$326.68	131½	119¼
1928	326.17	134	123½
1929	356.89	128	117
1930	330.11	134	120⅞
1931	....	135	103
1932	....	119⅛	105

field, from small pocket cameras to the most elaborate of sound and cinema film and color photographic devices and appurtenances. It is constantly developing new products and while in certain fields it encounters strong opposition it retains its leadership. To a great extent, however, its products are luxuries, even the film industry coming within this category, and in times of business depression it feels the reduction in industrial activity acutely.

During the fourteen years from 1902 to 1916 Eastman's profits showed an increase of more than 500%. This was during the period of anateur and commercial photography expansion and the development of the motion picture industry. From then on, however, the company's progress slowed up, only a 30% increase in profits being shown over the thirteen-year period from 1917 to 1929, while 1931 dropped below 1921. Normal business rehabilitation may be counted upon to reestablish the upward trend in Eastman earnings, but it is not so logical to assume that the recovery will be at the pace which was maintained through the decade that terminated with the 1929 all-time high. The current year may see the turn in the trend of the earnings, even though

National Biscuit Co.

PREFERRED STOCK

Earnings and Price Range

Annual Dividend Rate................$7.00

Year	Earned per share	Price range High	Price range Low
1927	$65.62	142	130
1928	72.09	150	137⅛
1929	86.36	146	140
1930	92.24	152	142⅛
1931	79.58	153¼	119⅛
1932	....	130	101

the profits for the full year may easily show a recession from 1931.

Looking to the future the management is continuing its policy of physical expansion of distributing facilities, improvement of its manufacturing equipment, and extension of its field of service. Its laboratory made substantial progress in 1931 in the development of new and better products. Film of greater speed and sensitivity, making not only for a higher quality of photography but also bringing about a saving in lighting costs in studio work, was brought out. Under the trade name of Verichrome, also, a new type of film for kodak use was placed on the market, and during recent months a new type of kodak spool, enabling the regulation kodak to accommodate a greater number of exposures has been introduced. These all testify to the alertness and progressiveness of the management and indicate its determination to wage a vigorous campaign for a still larger percentage of the available business than it has enjoyed in recent years.

The lowered costs of construction

and of equipment in 1931 encouraged the company to build and equip additions to its plant in Kingsport, Tenn., operated by its wholly-owned Tennessee Eastman Corp. This plant is devoted to the production of cellulose acetate and solvents, products used mainly as the base for film manufacture though a part of the output is employed in manufacturing cellulose acetate yarn and acetate molding compounds. This incursion of Eastman into by-product lines promises to provide an important diversification to its sources of income.

Notwithstanding the adversities of 1931 and the currently reduced rate of profit, no serious fears regarding the future of Eastman need be entertained. Reverting specifically to consideration of the preferred issue the current recession in its market price appears not so much a reflection of any question regarding the safety of the dividend as it is a reflection of the increased buying power of the income derived by the investor from his holdings.

National Biscuit

National Biscuit preferred is another of the attractive issues in the market leader group, which has a first call on net earnings because of the absence of any funded debt. The outstanding issue is modest, 248,045 shares, requiring the distribution of less than 1.75 million dollars a year, whereas net income in 1931 was $19,739,491, a figure that has been exceeded only twice—in 1930 when the company's net was 22.9 million dollars and in 1929 when it was just under 21.5 million. The dividend was earned more than 11 times last year and in 1930 more than 13 times.

The company was organized in 1898 and is the world's largest manufacturer of biscuits. It has never reported a deficit during its 33 years of existence and there is no reason to anticipate any change in this respect. It has had only four lean years in its history—1909, 1913, 1915 and 1931—if by lean years one is to understand failure to show an increase in net earnings over the year preceding.

While originally a manufacturer of loose and packaged crackers and biscuits, all under the trade name of Nabisco, the company early began to extend its operations into allied baking fields, particularly bread baking and breakfast food manufacture. Acquisition of National Milling Co. in 1925 was of prime importance to the company as it materially reduced its flour costs. More recently it entered the ice cream cone field and its business in this quasi-necessity is expected to expand substantially because of the company's already extensively developed system of distribution. In the breakfast food field Shredded Wheat is probably its best known product, and last year it acquired the Wheatsworth Co., manufacturers of cereals, breakfast foods and dog biscuits.

National Biscuit withstood the first year of the depression remarkably well, but the country's reduced buying power made itself felt in 1931 and thus far the downtrend in earnings does not appear to have been arrested. Enforced reductions in selling prices of the company's products to meet the intense competition in the industry have not been fully offset by the lowered cost of materials and other economies in operation, but the eventual return of normal business conditions holds out the promise of a reasonably early stabilization of earnings and a subsequent resumption of the upward curve of profits. So far as the preferred dividend is concerned it is difficult to see even a remote threat, to its permanency, and on a basis to yield 6% or more it should appeal to the investor who is willing to disregard incidental fluctuations in market value.

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1929	1930	1931	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	132.20	138.50	92.03	No	70	5.7
Union Pacific	4 (N)	49.48	41.30	25.50(e)	No	40	10.0

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1929	1930	1931	Redeemable	Recent Price	Yield %
N. Y. Tel. Co.	6½ (C)	118.62	121.92	141.30	110	106	5.9
Consol. Gas of N. Y.	5 (C)	31.04	32.69	32.00	105	77	6.5
New York Steam Corp.	7 (C)	10.21‡	16.95‡	20.19	115	95	7.4
Pacific Gas & Elec. 1st	1½ (C)	4.57	5.37	5.06	No	20	7.5
Public Service of New Jersey	8 (C)	24.44‡	22.10‡	18.85‡	No	101	7.9
So. California Edison "B"	1½ (C)	3.61	3.63	3.24	28¾	19	7.9
Amer. Lt. & Traction	1½ (C)	21.38	20.71	16.44	No	18	8.3
New York Steam Corp.	6 (C)	10.21‡	16.95‡	20.19‡	105	70	8.6
North American Co.	3 (C)	47.48	49.10	41.55	55	30	10.0
Buffalo, Niagara & Eastern Pr.	1.6 (C)	5.19	4.97	4.92	26¼	16	10.0
North Amer. Edison	6 (C)	58.98	49.65	39.13	105	55	10.9
Columbia Gas & Electric "A"	6 (C)	33.95	26.86	22.75	110	50	12.0
United Corp.	3 (C)	4.66	6.46	7.41	55	23	13.0
Philadelphia Co.	3 (C)	27.58	28.27	26.13	No	19	15.8

Industrials

	Div. Rate $ per Share	Earned $ per Share 1929	1930	1931	Redeemable	Recent Price	Yield %
Procter & Gamble (2nd)	5 (C)	151.75	178.16	130.97	115	87	5.8
Stand. Brands, Inc., Cum. A.	7 (C)	129.41	111.03	155.72	120	112	6.3
Allied Chem. & Dye	7 (C)	76.88	63.90	48.20	120	103	6.8
Liggett & Myers	7 (C)	97.79	106.61	102.70	No	100	7.0
Diamond Match	1.5 (C)	....	2.36	3.56	No	21	7.1
General Mills	6 (C)	18.86	20.03	16.44	115	84	7.1
du Pont (E. I.) de Nemours deb.	6 (C)	78.54	56.22	48.41	125	82	7.3
Commerc. Investm. Trust 1st.	6½ (C)	81.92	90.87	87.42‡	110	89	7.3
Mathieson Alkali Works	7 (C)	98.91	84.68	56.64	No	96	7.3
Lorillard (P.) Co.	7 (C)	11.82	31.96	42.86	No	86	8.1
General Cigar	7 (C)	35.92	64.03	54.41	No	82	8.5
Hershey Conv.	†5 (C)	21.36	24.24	26.18	No	59	8.5
Colgate-Palm-Peet	6 (C)	62.24	49.51	25.76	102½	65	9.2

C—Cumulative. N—Non-cumulative. † Regular rate, $4. ‡ On combined preferred. (e) Estimated.

ALUMINUM CO. OF AMERICA

An Industry in Itself, Pioneer Feels Full Weight of Business Letdown

Producer of Lightest Commercial Metal Contends Against Unusual Odds When Business Sags — Development of New Industrial Uses Suggests Eventual Further Physical Expansion, but Inadequate Fiscal Data Hampers Investor

By PHILLIP DOBBS

Calderwood Dam on Little Tennessee River

A BABY in the family of commercial metals, aluminum has all the fascinating qualities of its age. Iron, copper, lead and zinc are hoary old men in comparison, the record of their birth lost in the dim and distant ages of earliest civilization. But with aluminum, even the present generation can say that it has seen the metal creep, then toddle, for its commercial production is only some forty years old.

It was in 1886 that Charles Martin Hall, American, perfected a method of obtaining aluminum from the dirty yellow clay, bauxite, by means of electricity. His identical system, except for physical refinements, is still in use today. Briefly, it consists in taking the aluminum oxide, alumina, from the bauxite, dissolving it in a bath of the molten mineral, cryolite, and then the passage of an electric current through the mixture breaks down the oxide into metallic aluminum and oxygen. It requires about 25,000 kilowatt-hours of electricity to produce a ton of aluminum.

A year or so after Hall had perfected his process, the Pittsburgh Reduction Co. was incorporated under the laws of Pennsylvania to exploit it. With visions of rebuilding most of the bridges and similar works in the country where it was calculated that the lightness of aluminum could be used to advantage, the new company made the unhappy discovery that it was manufacturing a curiosity. No one wanted the metal except upon this basis. It was made into collar buttons, dog collars, match boxes and the like and the existence of the Pittsburgh Reduction Co., which subsequently became the Aluminum Co. of America, was made miserable by a pioneering struggle to find really meritorious uses for its product and to persuade the public to accept the findings.

At last, however, the company has attained a considerable measure of success. Today, it is still practically the only producer of virgin aluminum in the United States, having been protected in the first place by patents on the extraction process, and now being equally well protected by virtue of controlling all the known commercial deposits of bauxite in the country while at the same time owning an important interest in the rich deposits of Dutch Guiana. Further protection is afforded by the tremendous capital outlay which is necessary to produce aluminum on a large scale economically. One cannot just hook up an aluminum plant to the ordinary public utility, for there would be no current left for anyone else. It is for this reason that the company itself owns a number of generating stations and undeveloped power sites. Certain properties located in the northern part of New York State were transferred in 1930 to the Niagara Hudson Power Corp. and the Aluminum Co. of America is credited with owning some 2,500,000 shares of old stock in the former company.

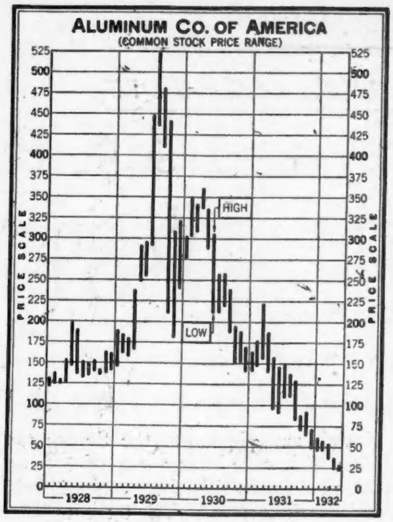
The pioneering struggle of the Aluminum Co. could take only one form. It was obliged to discover in its research laboratories some article for which the metal was suited. And then, it had to go out, build a fabricating plant, make the article, sell it at a profit and pray that some one would come along, see the light, and start manufacturing on his own. The Aluminum Co., except possibly in

cooking utensils and structural shapes, does not desire to be a finished product manufacturer; its aim is only to be the producer of a raw material enjoying constantly expanding outlets.

But it is quite easily seen how both controlled and uncontrolled circumstances have combined to give the enterprise monopolistic aspects—the sole producer, at the same time a fabricator whose influence is admittedly such as to account for a remarkably stable price. The courts, however, have always refused to sustain the contention of monopoly. Indeed, the Aluminum Co. is obviously not a monopoly in the strictest sense, for there is almost nothing made in which other metals could not be substituted for aluminum if only necessity or economy so demanded.

Nevertheless, aluminum and the Aluminum Co. of America are sufficiently close to being one and the same thing in this country that the future of the metal will almost certainly be the future of the company just as their histories have been identical. What are the prospects?—they surely depend upon the greater utilization of the metal's curious physical and chemical properties.

The most important and best known of these is its relative lightness. Volume for volume aluminum weighs but slightly more than a third as much as steel and considerably less than a third as much as copper. Annealed aluminum is extremely ductile and malleable, so that it can be drawn to the finest of wires or beaten to the thinnest of leaves. Alloyed with small quantities of copper, silicon or other elements, various kinds of strength are imparted, while at the same time the product retains its characteristic lightness. It is



for these reasons that the greatest present use of aluminum is found in the different transportation industries. It is to be found in the moving parts of automobile engines, in airplanes, the framework of dirigibles, and in railroad and subway cars. A railroad hopper car has recently been constructed weighing 22,000 pounds less than a similar steel car. The savings in haulage cost by the use of such cars can easily be imagined and, although they undoubtedly cost a great deal more than were they made of the usual materials, it must be remembered that aluminum has a high scrap value.

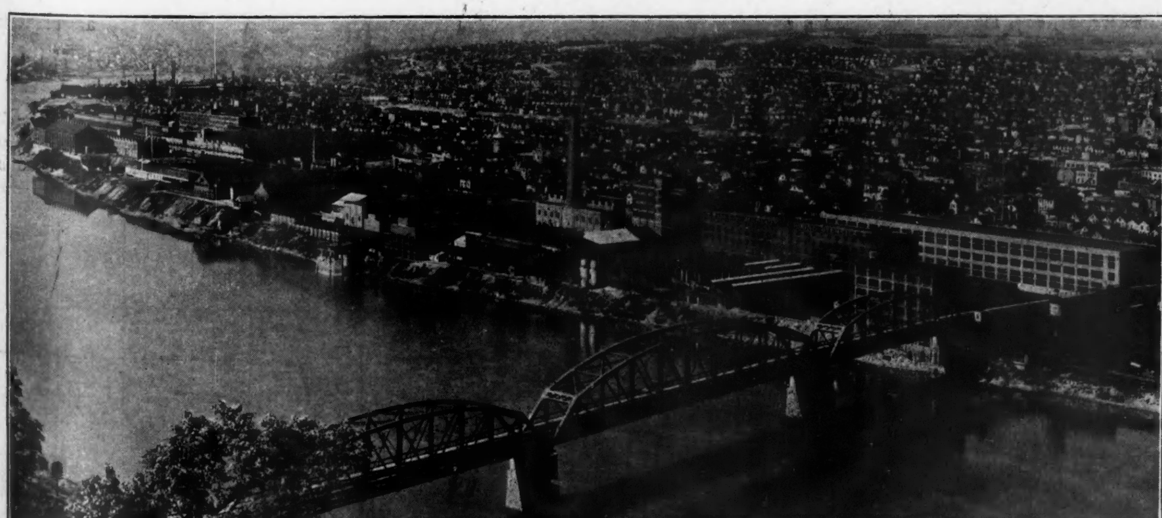
Aluminum also has a high electrical conductivity, despite the fact that it is only 60% of that possessed by copper. Indeed, volume for volume it is a better conductor and this accounts for its popularity in high tension transmission lines. Lighter tower structures are possible because of lessened weight and the greater diameter of the aluminum wire lessens corona loss. While this is the most spectacular use for aluminum in the electrical field, the metal is also widely employed in wires of small diameter.

The power to reflect light is another important property possessed by aluminum and for this reason it is widely used as a paint on airplane and dirigible fabrics. In addition, it has other good painting properties and we must have all seen the Aluminum Co.'s advertisements in leading magazines. Incidentally, these advertisements make a point which has already been mentioned. The company stresses that it is not a manufacturer of paint but that it makes an aluminum powder which, when ground in oil or other suitable vehicle, has unique and desirable painting qualities. This affords a concrete example of the efforts being made to stay out of the fabricating field.

Among aluminum's chemical properties may be mentioned a marked resistance to nitric acid and other extremely corrosive agents and the fact that aluminum salts are in no way poisonous, so that it can be used for cooking utensils, wrapping candy, and is most suitable for food containers in special instances. It has, for example, been used in Norway for packing sardines for a number of years, as it is not practical to pack this fish in an ordinary tin can. The can must first be lacquered and a pin point break in the lacquer is disastrous.

Other uses for aluminum in the container field include collapsible tubes. It is also extensively stamped into caps for glass jars and bottles. It is even rumored that the Aluminum Co. is

(*Please turn to page* 251)



Aluminum Co.'s New Kensington, Pa., Works

Market Indicators

For Profit

Foods Still Fight Depression

While it is now known that the list of really depression-proof companies is actually much smaller than was generally supposed a year or two ago, it is interesting to note that the inclusion of the food companies in this category has proved less ridiculous than most of the examples. Last year a representative group of three dozen miscellaneous food manufacturers reported a decline of slightly more than 25% in net profits compared with the previous year, while industrial profits in general declined 80% or so. Making the same comparison between the first three months of 1932 and the first three months of 1931, almost exactly the same percentages of decline were shown by foods and by industrials.

The Proposed Electric Current Tax

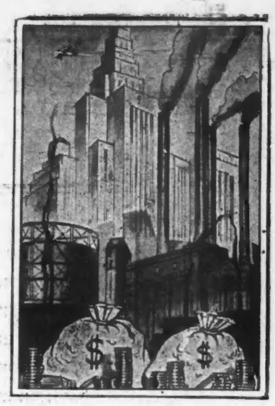
The recent sharp decline in public utility common and preferred stocks could be directly attributed to the Howell amendment to the Senate tax bill which called for a tax of 3% on the sum for which the energy is sold and specifically stated that the utilities must pay it out of net income. While this department has always contended that a government could blight prosperity faster and more effectively than any other known agency, even it found such a proposal as the Howell amendment surprising, to say the least. Think of what it meant—a tax which carried a 3% decline in gross revenues down to the ultimate stockholder. Among the strongest operating public utility companies there are not many where 20% of the gross is applicable to the common stock and even in these cases the earnings applicable to the junior securities would have been reduced 15%. In many holding companies considerably less than 10% of the operating company's gross is applicable to the holding company's common and in these cases the proposed tax would have wiped out at least a third of the latter's equity—perhaps all. In smaller degree the effects would have been the same for preferred stocks and bonds. Is there any wonder that holders of public utility securities became panicky? Fortunately, some one in the Finance Committee was sensible enough to eliminate the dynamite from the bill. It has been reworded so that the 3% tax will be borne by domestic and commercial consumers, while industrial consumers are expressly excused. As a result there was a very substantial rally in public utility securities of all sorts. But the disheartening part of the whole business is that tax and other bills are proposed recklessly without any thought whatsoever of the consequences and, even should they be corrected eventually, damage has been done. There were undoubtedly investors of public utility securities forced out on the last decline with great loss, only to see their holdings come back immediately to a point where they could have continued to keep them. Nothing is to be condemned more at the present time, when solvency is hanging by a hair, than any move causing a wave of liquidation.

One-Line Analyses of Common Stocks in this Issue from The

Information as of

	Company	Ticker Symb.	Listed	Rating	Business	Funded Debt	Shares Outstanding	Par	DIVIDENDS		
									Rate	Payable	Record Date
1	Aluminum Co. of Amer.	AA	C	C1	Metallic aluminum	None	711,000	No	....	....	....
2	Atchison, Top. & Santa Fe	A	N	D1	Transcontinental carrier	312,000,000	2,421,669	100	4.00	q-6/1	5/6
3	Endicott-Johnson	EJ	N	C2	Shoe manufacturing	None	405,360	50	3.00	q-4/1	3/18
4	General Foods	GF	N	B1	Trade-marked foods	None	5,256,843	No	3.00	q-5/2	4/15
5	Gulf Oil of Pa.	GOP	C	C1	Oil producing & refining	125,904,000	4,525,221	25	1/1/	32 div. p	assed
6	Homestake Mining	HM	N	A1	Gold mining	None	251,160	100	9.00	mo-25th	20th
7	International Shoe	ISS	N	C1	Shoe manufacturing	None	3,760,000	No	3.00	q-4/1	3/15
8	International Tel. & Tel.	IT	N	B2	Communications	136,583,746	6,580,599	No	4/15/	32 div. p	assed
9	Loose-Wiles Biscuit	LO	N	B1	Crackers & biscuits	930,000	548,303	25	2.60*	q-5/1	4/18
10	National Cash Register 'A'	NCR	N	C2	Business equipment	None	1,190,000	No	1/15/	32 div. p	assed
11	Penney Co., J. C.	PEJ	N	B1	Dry goods chain	3,283,000	2,466,908	No	2.40	q-3/31	3/19
12	Phillips Petroleum	P	N	C2	Oil & natural gas	38,418,591	4,419,579	No	....	....	....
13	Std. Oil of Calif.	SCD	N	C1	Integrated oil company	None	12,845,980	No	2.00	q-3/15	2/15
14	Std. Oil of Ind.	SN	C	C1	Integrated oil company	52,370,367	16,996,595	25	1.00	q-3/15	2/15
15	Std. Oil Co. (N.J.)	J	N	C1	Integrated oil company	137,355,866	25,518,468	25	1.00*	q-6/15	5/14
16	Sun Oil Co.	SUN	N	C2	Integrated oil company	8,398,000	1,536,361	No	1.00	q-3/15	2/25
17	Texas Corp.	TX	N	C1	Oil prod. & refining	118,929,102	9,851,151	25	1.00	q-4/1	3/4
18	Union Carbide & Carbon	UN	N	B2	Chemicals & specialties	12,758,700	8,313,816	No	1.20	q-7/1	6/4
19	Woolworth Co., F. W.	Z	N	B1	5-and-10-cent chain stores	3,437,500-M	9,750,000	10	2.40*	q-6/1	4/18

M—Mortgages *—Extra dividend payments have also been made in the past year



The Stockholder

and Income

An Important Dividend Reduction

The recent reduction of the common dividend from $10 annually to $6 annually on the part of the Chicago, Burlington & Quincy Railroad Co. will possibly have far-reaching repercussions upon the security holders of the two Northerns. The latter each hold some 830,180 shares of the Burlington, so that the dividend reduction will make a difference of about $3,321,000 to both roads. Translated into par-share earnings it means about $1.34 less for the great Northern and approximately $1.40 less for the Northern Pacific. Or, looked at from the bondholders' point of view, it amounts in the case of the Great Northern to about one-sixth of the sum necessary to pay fixed charges and in the case of the Northern Pacific to slightly more than a fourth of the corresponding sum.

* * *

Bendix and the Stock Market

It was only last fall that the officials of the Bendix Aviation Corp. stated in effect that the stock of their company was too low and that they were buying it, presumably intimating that the public would do well to get aboard too. We commented unfavorably upon such action in this department at the time and our misgivings appear to have been justified. Bendix Aviation stock recently sold at $4½ a share, or roughly one quarter of the price it commanded at the time of the official intimation. Yet, last month the company omitted its dividend for the avowed purpose of purchasing a substantial block of stock in the open market. This raises several interesting points. A cynic might inquire whether the company's officials bought too much stock last fall, and as to the merits of employing the company's funds to bolster the market. Even admitting that the long-term interests of the public at large predominated at the passing of the dividend, it is to be devoutly hoped that the stock market judgment of the Bendix officials proves better than it has been in the past. The more we see of companies operating in their own stocks the more we are convinced that laws—as exist in foreign countries—prohibiting such stock market operations are to be commended. Stockholders should protest bitterly every entry into the stock market on the part of their companies, regardless of how laudable the objects of any particular foray.

Gold Bonds

We are among the few nations of the world where bonds customarily have a clause specifying the obligation to be payable in gold. There is at the present time much curiosity as to whether this would protect a holder in the event of currency depreciation and, without anticipating that the problem will become a practical matter in the near future, an opinion might be ventured in view of the widespread interest. The courts have always upheld the validity of the gold clause in so-called legal tender cases,

(*Please turn to page 255*)

Magazine of Wall Street's Adjustable Stock Rating Booklet

June 4, 1932

EARNINGS Annual 1930	Annual 1931	Interim 1931	Interim 1932	PRICE RANGE 1931 High	1931 Low	1932 High	1932 Low	Recent Split-up or Stk. Div.	Complete Analysis See Page	Comment	
1.93	d2.88	....	....	224	48	61¾	22	....	230	Long term outlook better than near term	1
12.86	6.97	....	....	203⅜	79¼	94	23¼	....	218	Strong road but operations showing deficit	2
0.14	4.84nv11	....	....	45⅜	23½	36⅛	23¼	....	238	Demand off; operations curtailed in May	3
3.63	3.44	1.05mr3	0.84mr3	56	28¼	40¼	19⅝	....	238	Earnings show but slight excess over dividends	4
2.35	d5.23	....	....	76	25⅜	35⅞	23⅛	....	221	Output off but prices better in 1st half	5
5.94	9.70	....	....	138	81	131¾	110	....	247	Dividend raised because of better earnings	6
3.26nv	2.60nv	....	....	54	37	44⅜	35	....	240	Rate of output 17% less than a year ago	7
2.07	1.20	....	....	38¾	7⅛	12¼	2⅝	3:1 5/29	224	Earnings reported better in recent months	8
3.99	3.14	0.82mr3	0.65mr3	54⅞	29⅞	36⅜	16½	....	246	First half net may barely cover dividend	9
3.01	0.69	....	....	39¾	7½	14⅜	6¾	....	240	Sales decline reduces income; recovery slow	10
2.88	3.13	....	....	44¾	26⅜	34½	13	....	240	First four months dollars sales declined 5.2%	11
0.71	d1.34	d0.14mr3	d0.51mr3	16⅝	4	6½	2	5% 1/30	221	Third quarter expected to show improvement	12
2.88	1.11	0.33mr3	0.22mr3	51¾	23⅛	27¼	5⅛	2% 12/30	221	Better outlook with crude oil curtailment	13
2.73	1.04	....	....	38½	13⅝	19¼	13⅛	50% 3/29	221	Prospects improved for third quarter earnings	14
1.65	0.34	....	....	52½	26	31½	19⅞	....	221	First half profits probably better	15
4.68	1.63	....	....	45¼	26¾	32	24¾	9% 12/30	221	Better oil & gasoline prices raise revenues	16
1.53	d1.01	....	....	36¼	9⅞	13⅞	9⅜	....	221	Should benefit from recent oil price rise	17
3.12	2.00	0.51mr3	0.22mr3	72½	27⅛	36⅜	5½	....	239	Dividend reduced following earnings decline	18
3.56	4.21	....	....	72¾	35	45⅝	22	....	246	Continues expansion of 20c. merchandise lines	19

d—Deficit nv11—11 mos. ended Nov. 30 nv—Year ended Nov. 30 mr3—3mos. ended March 31

READERS' FORUM

The Readers' Forum belongs to the readers of THE MAGAZINE OF WALL STREET *and is intended exclusively to serve them in the discussion of problems of general investment interest. This department welcomes and invites contributions from its readers without imposing rigid restrictions as to their choice of subject matter. Stories of personal experience with, or personal opinion upon, investment problems, are particularly appropriate since they often are of interest to many. The services of this department also are available for answering investment questions of general interest excluding inquiries regarding the position or prospects of individual securities.*

Blaming the Stock Market

Politically Inspired Restriction of Speculative Markets Will Harm the Investor.

By HAROLD ORTHWIN

THE recent attempts to blame the stock market for the crisis developed during the present depression will accomplish no good, and can only result in aggravating the situation. True enough, severely contracted business activity, swollen unemployment figures, and extremely low security prices are no pleasure, but they cannot be overcome by harassing the market. However, the public feels that some one is to blame, so, as happened many times before, the market is forced to bear the brunt of its discontent.

What results is a lot of bungling legislation, which only makes a bad situation worse. Short selling is put under fire and is to be limited, heavy taxes are proposed on stock transfers, and the entire exchange is subjected to an investigation.

Effect of Short Selling

Now many students have recently given a vast amount of study to the problem of short selling. Despite all their research, no one seems to be able definitely to ascertain its effects on prices. If short selling is the cause of the accentuated decline in security prices, how can we account for the collapse of real estate values, as well as the losses in value of hundreds of commodities and other items?

Over a reasonable period of time, it is a sound conjecture that the market must reflect the true value of any security. Hence, at the most, the effects of both the long and short speculative position, must only be temporary.

What short selling does accomplish, however, is to make for an active market, a factor, the value of which, we shall discuss in a later paragraph.

The proposed heavy taxes on stock transfer have already accentuated the decline in the price of Stock Exchange seats. If passed, these, too, would have the effect of reducing the amount of trading. A further result will be that they will discourage investment in new enterprises, since the potential investor will be restrained by the fact that in case of the need for liquidation, he will have to pay, in addition to the brokerage fee, a sizable tax.

Before legislators tackle the market, it might be well for them to become acquainted with the service which the market performs under our economic system.

First of all, the market, in giving a cash value and a practically instantaneous liquidity to billions of dollars of securities, makes for an elasticity of credit, which gives a sound basis for expansion. Without this liquidity, there would be a shrinkage in credit, which in turn would reflect itself in a shrinkage of business activity. However, the mere existence of the market does not make for liquidity; it is the people who buy and sell on the exchange who are responsible for this factor.

Now in spite of all criticisms of the floor trader and the short seller, it is obvious that they perform a valuable service, in that they give greater activity to trading. Reduce the activity of trading, and the possibilities of the investor, in realizing cash instantly from his securities, are correspondingly reduced.

Assuring Liquidity

Hence it is evident that if securities are to remain a liquid asset, and if this liquidity is to be assured, it is necessary to encourage an active market. This, of course, can never be accomplished by restricting the floor trader or placing heavy taxes on stock transfers.

Another advantage of an active market is that prices

(*Please turn to page* 248)

Reduce the Cost of Business

Two Readers Argue the Merits of Lower Prices — A Question of Sound Rail Relief

Editor, READERS' FORUM:

Assuming that it does not make any difference to the farmer's financial welfare whether the costs of things he needs to buy come down or the prices of the things he has to sell go up, so a fair ratio is resumed, why would it not be better for the country, as a whole, to have the former come down? I should like to see a short concise article on this. To my mind one point would be that less gold would be needed to conduct the world's business satisfactorily.

A second point would be that there is still a class of people of sterling character who made their money between the late seventies and the war period by working ten or twelve or more hours a day and who loaned much of it to farmers who now claim they cannot pay their indebtedness. Now these no-longer-young people are entitled to a living—people who, if they have not already used up their little remaining capital, are fast doing so. It seems to me that these people, many of whom are from seventy-five to eighty-five years old should be allowed to exist even though their creditors have deprived them of the trips and vacations that long hours of toil deprived them of in their youth. Lower living costs, including coal and taxes, would benefit them.

There is a third class of people who might be benefited. I am not quite sure just how it would work out, but it seems to me that the wage earner with three or more dependents who is unfortunate enough to be ill and deprived of his wages for a month or more would be better off if living costs were down rather than wages up. Personally, I think a slow wage rise more healthful than a rapid one—say 5 to 10% in a decade. For instance, let the man who was getting two dollars in 1912 get two forty today and the man who was getting five dollars a day get six. I think it would be fairer to every generation and perhaps there would be more employment and fewer machines and fewer night clubs.

I should like to see someone make a plea for lower prices rather than higher. What does THE MAGAZINE OF WALL STREET have to say about it? Perhaps the present scale would do for everything excepting coal and taxes. Although it seems to me that wages and salaries should still come down some—the question is how much?

If we ever again have prosperity, I hope that individuals, corporations, cities, states, and nations will never mortgage their future as they have done. This spending all of your own money and then borrowing the savings of others, either directly or indirectly, has brought a lot of grief to both the thrifty and the thriftless—besides it is dishonest to borrow a lot of the other fellow's money and not repay him and then tax him to pay for your roads, police, firemen, and perhaps even your food.

Far too many spent all of their money and then all of their credit (others' money) upon real estate, securities, automobiles, furniture, clothes, skyscrapers, etc., etc. Finally, when the future was mortgaged to the limit, there was no more credit. Factories slowed up, men were let out, neither salesmen nor goods traveled the railroads to any great extent and here we are. Why not try to do business on lower prices and not make our gold work so hard? Possibly there will have to be a little inflation to start things but it should be little so that it could be held in check or withdrawn at any time.—JESSIE K. CRAY.

Wages and Profits

Editor, READERS' FORUM:

The cause and cure of the depression are extremely interesting and important subjects at the present time.

When a disease that is not fully understood by the doctors spreads over the country, the physician does not merely find out all about how the patient feels and then retire to his study and write an article giving his theory of what the cause of the disease is, and how it can be cured; on the contrary, he goes to work, takes a sample of the patient's blood, brings out his test tubes and his microscope, and tries to find the germ that is causing the trouble, and then is able to produce a serum which will cure it.

Let us therefore look closely into the causes of the depression and see if it is possible to suggest a cure.

When we examine the patient we see at once a condition of great weakness and debility and decide to make an examination of the blood. When we do this we find the probable cause of the sickness is the almost total disappearance of the red corpuscles in the blood. These red corpuscles are what we call profits, and we know that if those are lacking there can be no health for the patient until they are restored.

At present the doctors are giving the railroads a blood transfusion which it is hoped will prolong their lives a few months longer.

It would be much better if they could wake the railroads up from their coma, persuade them that what is needed is a little self help, and get them to take an axe and go out and slash off about 30% of the cancer of high wages that is eating up all and more than all of their profits.

When a depression comes on and the railroads find their profits are declining the very first thing they do is to cut expenses. This is the worst and most fatal policy they can pursue. They discharge a large number of men whose buying power is at once cut off. They stop buying rails and all other supplies and that has the immediate effect of causing a vast number of other men to be thrown out of employment, who also lose their buying power. All this of course has a very bad reaction on the railroads themselves, causing them to lose still more business.

We must bear in mind that all this great and suicidal destruction of business is caused by a desperate and perfectly legitimate attempt on the part of the railroads to retain their profits which they know are vital.

When a depression starts the first great visible sign is a crash in the stock market. Then or probably before this time commodities begin to make new lows right along. Now if it was possible to have the cost of labor decline as all other commodities declined in cost, then we would have an ideal arrangement, because if this occurred,

(Please turn to page 254)

Little Encouragement to be Derived Yet From General Business

Machinery

Suffering Acute Depression

At no time in the present century has the machinery manufacturing industry witnessed such severe recession as it is undergoing at present. Steel sheets, used in nearly all fabricating operations for making machinery, serve as a good index of the volume of operations for machinery business as a whole. Takings of this product by the machinery trade have declined 52% since this time a year ago. New orders for grades of steel employed by tool and machinery factories have dropped 48% since May, 1931, indicating that the summer months will show additional curtailment. The machine tool end of the industry has been very hard hit,

(*Please turn to page 255*)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1932 High	1932 Low	Last*
Steel (1)	$0.01¾	$0.01½	$0.01⅝
Steel (2)	0.01⅝	0.01½	0.01⅝
Pig Iron (3).....	15.50	14.00	14.00
Copper (4)	0.07½	0.05¼	0.05⅝
Lead (5)	0.03¾	0.03	0.03
Petroleum (6) ..	0.84	0.69	0.84
Coal (7)	1.50	1.20	1.25
Cotton (8)	0.07⅛	0.05⅜	0.05¾
Wheat (9)	0.86	0.44¾	0.67½
Corn (10)	0.38¼	0.29½	0.30¼
Hogs (11)	16.50	7.50	10.00
Steers (12)	14.00	9.00	11.00
Coffee (13)	0.10¾	0.08¾	0.10⅝
Rubber (14)	0.04 11/16	0.02⅝	0.02¾
Wool (15)	0.60	0.40	0.41
Sugar (16)	0.03⅛	0.02⅝	0.02⅝
Paper (17)	53.00	53.00	53.00
Lumber (18)	17.67	12.12	12.12

* June 4, 1932.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, $ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. $ per bbl. (7) Pitts., steam mine run, $ per ton. (8) Middling (Galv.), cents per lb. (9) No. 2, Hard, Winter (Kan. City), $ per bu. (10) No. 3 Yellow (Chic.), $ per bu. (11) Fresh loins, 10-12 lbs. (N. Y.) $ per 100 lb. (12) 550-700 lb. (N. Y.) $ per lb. (13) Santos, No. 4 (N. Y.) c. per lb. (14) Smoked sheets (N. Y.) cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban, raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), $ per ton. (18) Yellow pine boards, f.o.b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Output has receded further, with early June operations at only 23% of capacity. Despite somewhat better structural steel and tin plate orders, coupled with indications of better automobile requirements, steel prices have softened. With scrap prices at new all-time lows further marking down in finished products is expected soon. Although most steel firms have cut wages 15% the loss of business has augmented deficits.

PETROLEUM—Crude oil output is running at the rate of 2,200,000 barrels daily, compared with 2,400,000 barrels a year ago. The recent rise in average crude prices from 75 cents a barrel to 90 cents has been maintained, and most oil companies are showing profits for the first time in 18 months. Refineries have lowered operations to such a degree that stocks of gasoline are well below those of a year ago.

COPPER—Anticipating the tariff on copper, which has just been approved by the Senate, Chilean copper producers have shipped for storage in the United States over nine months' normal exports. This accretion to the already enormous supplies of unsold metal on hand has so weakened quotations that even at the record low of 5¼ cents a pound for domestic delivery practically no buyers are in the market.

LEATHER & HIDES—The three largest shoe manufacturers in the U. S. have recently dropped operations to a 5-day week, instead of working on the 5½-day basis. Weaker tanner demand has been felt in the hides market and raw hide futures at New York have declined to new lows, with June futures at 3.68 cents a pound. There is small chance of immediate betterment in hide prices, as quotations are responsive mainly to the demand, which is declining.

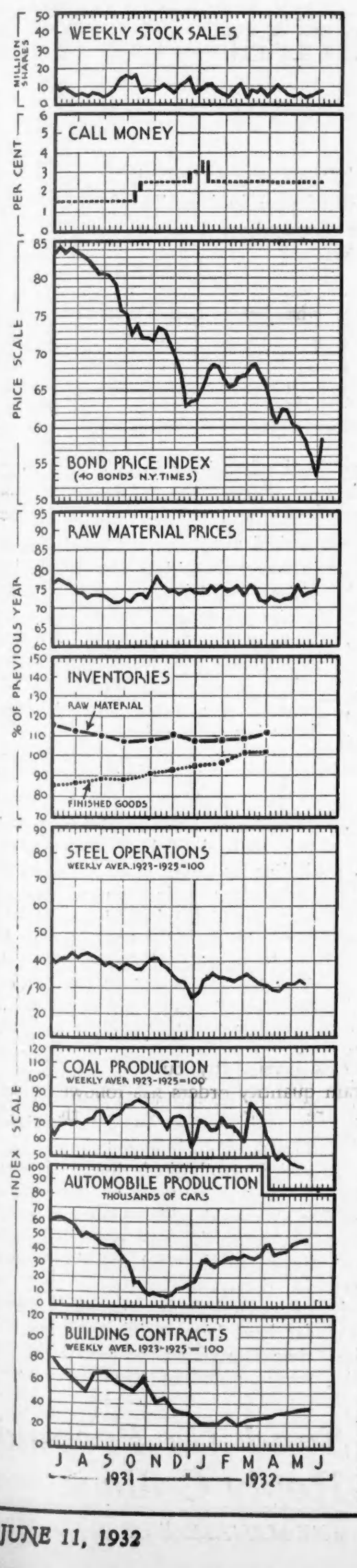
TIRES—Intense competition between the leading tire manufacturers has broken out anew, concessions of about 10% having been made to the larger mail order houses for mid-summer delivery. The Chicago mail order distributors persistently cut prices, and the tire industry in order to obtain quantity orders has followed their lead. Practically no profits are being made by even the most efficient tire companies and the outlook is dark.

CHEMICALS—Large accumulations of inventories are depressing prices, especially on many grades of heavy chemicals. Industrial demand has dropped steadily for products used by the steel and paper companies. Composite price indexes for chemical products have held steady for the past three months, declining profits resulting chiefly from smaller sales.

RAYON TEXTILES—Stock viscose yarns were cut 10 cents to 20 cents a pound in early June. The larger producers are shutting down their plants, and do not expect to re-open until some time in July. Operations are increasingly unprofitable, especially with silk offering heavy competition on a cheap price basis. Distress liquidation of stocks has added to the troubles of the industry and recovery appears remote.

The Magazine of Wall Street's Indicator

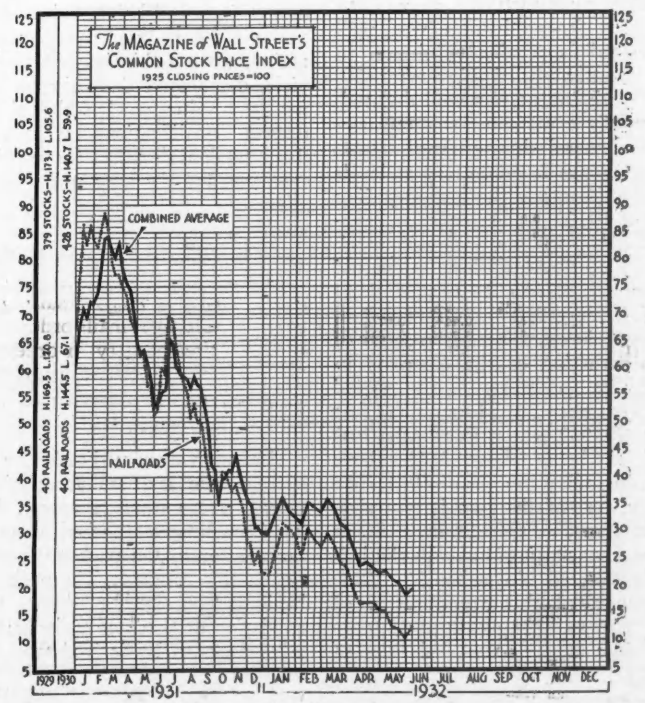
Business Indexes



Common Stock Price Index

1931 Indexes High	1931 Indexes Low	1931 Indexes Close	No. of Issues		1932 Indexes High	1932 Indexes Low	May 21	May 28	June 4
84.4	29.2	30.0	345	COMBINED AVERAGE	36.4	18.0	20.6	18.0*	19.4
142.4	33.0	34.8	4	Agricultural Implements	48.3	18.8	21.8	18.8*	20.6
121.2	19.7	21.2	7	Amusements	43.0	14.2	16.6	14.2*	14.3
76.9	23.9	23.9	21	Automobile Accessories	27.8	10.8	13.0	10.8*	11.2
37.0	12.1	13.1	16	Automobiles	14.4	5.9	6.5	5.9*	6.4
74.2	22.3	31.7	4	Aviation (1927 Cl.—100)	34.6	16.2	19.0	16.2*	19.8
38.4	8.3	9.7	3	Baking (1926 Cl.—100).....	12.0	4.8	6.5	4.8*	5.0
212.8	112.5	112.5	2	Biscuit	129.9	75.6	83.1	75.6*	84.0
162.2	48.1	49.5	5	Business Machines	65.0	35.7	37.5	35.7*	38.2
188.5	96.5	99.3	2	Cans	119.0	59.3	62.7	59.3*	66.3
157.8	76.2	81.6	7	Chemicals & Dyes...........	98.3	53.6	59.0	53.6*	59.0
71.8	20.8	21.4	3	Coal	26.7	14.9	18.0	14.9*	15.1
73.7	18.9	19.5	19	Construction & Bldg. Mat....	24.6	10.1	11.6	10.1*	11.0
92.4	30.1	30.2	11	Copper	36.7	14.9	19.1	14.9*	16.3
98.0	45.8	47.2	2	Dairy Products	57.8	31.7	35.4	31.7*	34.9
30.2	9.6	10.1	9	Department Stores	14.8	5.4	6.6	5.4*	5.8
120.4	52.0	53.1	8	Drug & Toilet Articles.......	65.4	36.3	43.1	36.3*	38.3
149.3	44.7	46.9	5	Electric Apparatus	55.1	29.6	34.3	29.6*	31.9
21.5	4.3	4.6	3	Fertilizers	5.5	2.2	2.6	2.2*	2.6
91.3	40.8	41.7	2	Finance Companies	58.7	26.3	29.9	26.3*	26.7
80.1	43.7	45.3	7	Food Brands	50.4	28.8	33.5	28.8*	31.0
83.0	44.4	45.0	3	Food Stores	56.4	36.9	41.6	36.9*	41.1
51.7	21.7	21.8	3	Furniture & Floor Covering..	38.2	17.9	22.0	18.7*	17.9*
45.5	16.6	17.0	5	Household Equipment	21.1	10.7	11.4	10.8*	10.7*
89.5	17.1	19.1	10	Investment Trusts	26.4	9.5	10.0	9.5*	11.6
96.3	26.1	26.1	3	Mail Orders	27.4	8.6	11.1	8.6*	11.0
69.2	23.3	23.4	31	Petroleum & Natural Gas...	29.2	21.6	25.2	23.4	23.9
68.8	12.7	13.0	4	Phonos. & Radio (1927—100)	17.5	6.2	7.3	6.2*	7.9
196.8	77.0	78.1	20	Public Utilities	87.6	41.1	49.2	41.1*	45.0
73.1	20.6	21.2	10	Railroad Equipment	26.9	12.1	14.1	12.1*	12.9
88.4	22.5	22.5	30	Railroads	31.3	10.5	12.0	10.5*	12.6
100.7	41.8	41.8	3	Restaurants	42.3	17.0	21.0	17.0*	19.9
38.0	8.8	8.8	3	Shipping	14.3	5.6	6.7	5.8*	5.6*
183.4	82.0	82.0	2	Soft Drinks (1926 Cl.—100).	89.2	59.0	62.1	59.2*	59.0
92.3	25.3	25.8	9	Steel & Iron	30.7	12.4	15.3	12.4*	13.8
18.9	7.3	7.3	5	Sugar	9.4	3.8	4.1	3.8*	3.8
218.0	84.2	89.5	2	Sulphur	101.7	55.4	68.2	55.4*	62.6
133.4	44.5	44.5	3	Telephone & Telegraph	54.4	24.0	26.7	24.0*	26.3
46.0	16.1	18.2	5	Textiles	24.6	16.3	18.9	16.3	17.8
15.8	4.4	4.9	5	Tires & Rubber	6.0	3.0	3.2	3.1*	3.0*
78.6	47.0	48.3	5	Tobacco	68.6	40.8	47.5	40.8*	46.1
86.1	26.1	26.1	4	Traction	57.0	24.2	29.7	24.7*	24.2*
82.0	44.5	44.9	2	Variety Stores	50.9	27.2	33.0	27.2*	29.8

* New low record since 1928.



(An unweighted index of weekly closing prices; compensated for stock dividends, rights, and splitups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

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ENDICOTT JOHNSON CORP.

I am looking for an investment with a good yield and profit possibilities over the long pull. I am not worried over minor price movements if the company is sound and has real prospects. I have been studying the market action and earnings record of Endicott Johnson Corp. and believe that this stock meets my requirements. What is your opinion? Do you advise moderate commitment at this time?—H. D. O., Chicago, Ill.

The stable basic demand for shoes and the manner in which earnings of the leading manufacturers respond to any upturn in production was well demonstrated by Endicott Johnson in the 11 months ended November 30, 1931. With inventories well deflated, this company experienced an improvement in demand during April, 1931, maintaining this improvement at levels 18% to 20% above the corresponding periods of 1930. In consequence, earnings available for the common stock amounted to $4.84 a share compared with earnings of only 14 cents a share in the full year 1930. The comparison must be made on this basis because of the recent action of the company in changing its fiscal year to the period ended November 30. Through the first months of 1932, the gain in sales was maintained, being about 20% above the corresponding months of 1931. The company, one of the two largest shoe manufacturers in the country, is in a strong financial position. In the balance sheet dated November 28, 1931, the company had current assets of $26,555,533 including cash of $3,920,859 against total current liabilities of $2,809,435. In the November balance sheet, equities for the common stock alone of $23,228,069 or $57.30 a share were shown, after allowing $125 a share for the preferred stock and including reserves, but excluding $17.25 a share good-will. The company's products are sold through over 50,000 retailers, through mail order houses and through the company's own stores, making for considerable stability in distribution. The $3 annual dividend rate would appear to be well secured by earnings and balance sheet position, and we see no reason to question its maintenance at this time. On the basis of yield, demonstrated earning power and net asset value, we feel that the shares possess qualifications which entitle them to consideration for purchase or retention for the long pull.

GENERAL FOODS CORP.

Will the present Congressional investigation as relates to General Foods have any effect upon the future operations of that company? I paid 41 for 100 shares of this stock and would like your opinion. Do you advise holding? What about an additional purchase to average down my cost? —E. M. R., Detroit, Mich.

Although General Foods Corp. in its present form is of comparatively recent origin, the parent company, Postum, has been long established as an important factor in the package food industry in this country. The package food business lends itself readily to the consolidation of small units, because of the advantages to be derived from centralized advertising in this division. Obviously, in a time of generally curtailed purchasing power, prices of trademarked foods have turned downward in common with prices for bulk provisions. Furthermore, the stronger companies are able to offset this trend to some extent by increasing their sales and adding new lines. General Foods offers an excellent illustration of the benefits of merging small food manufacturing enterprises. In 1931, the company reported net earnings equal to $3.44 a share against $3.63 a share in 1930 and $3.68 a share in 1929. Thus far in 1932, conditions have been even more difficult as evidenced by the decline in chain store sales, and consequently the first quarter net of 84 cents for General Foods compared with $1.05 in the like 1931 period should not be considered discouraging. Thus far, the $3 annual dividend rate has been comfortably supported by earnings and by the strong financial position of the company. At the close of 1931, the company had current assets of $35,787,730 including $10,504,278 in cash against current liabilities of $5,405,543. We anticipate that the varied established lines of General Foods will continue to afford the company considerable stability of earnings. The more dynamic possibilities are inherent in the "Frosted Foods" process for the quick freezing of meat, vegetables and fruit. Developments thus far have been satisfactory, but a long time is required to install the equipment needed to handle the processed

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product. In the light of present conditions, it appears that the Postum Co., predecessor to General Foods Corp., paid a relatively high price for its interest in Frosted Foods. However, we feel that current quotations for the stock discount this as well as the moderate recession in earning power, and feel that inclusion of the stock in a well balanced portfolio will prove profitable for those willing and able to exercise patience over the near term.

UNION CARBIDE & CARBON CORP.

Do you think present prices of Union Carbide and Carbon pretty well discount the unfavorable factors or do you think earnings may continue to decrease necessitating even further dividend reductions and price decline? It would seem to me that in view of the way their chemical division is holding up, that any slight pick up in either the steel or automotive industries should enable rapid recovery of earnings in this department. A friend has advised me to sell but I am rather "bullish" on this company for the "long pull" and would appreciate your opinion.—L. H. K., Boston, Mass.

Union Carbide & Carbon Corp. is a completely integrated unit and occupies a strategic position in the domestic chemical industry, manufacturing a wide diversity of products, the demand for which assures the company of a substantial volume of business of exceptional stability under normal conditions. Many of the company's products are taken in a large volume by basic industries, and for this reason, it would have been very unusual for the company to escape the vicissitudes of depression. Nevertheless, and considering the conditions with which earnings have been subjected, business in the company's major divisions has held up much better than might have been expected. Operations last year produced profits equivalent to $2 per share on 9,743,000 shares of stock contrasting with $3.12 per share earned in 1930. Reflecting the relentless contraction in industrial activity and general business, profits of Union Carbide suffered a further recession in the initial quarter of the current year, and were equivalent to only 22 cents a share on the common stock. Consequently, the management has followed a conservative course and reduced dividends to 30 cents quarterly—the second reduction this year. Financial position of the company at the close of last year was excellent, and the adjustment of dividends to conform with the current trend of earnings will aid materially in maintaining a well entrenched financial condition. The company's long record of successful operations and consistent growth, in conjunction with the inherent possibilities for future expansion, are given tangible

recognition in normal quotations for the shares which obviously are not undervalued on a comparative basis at this time. Sustained improvement in earnings must await a resumption of trade activity on a more normal scale, and, in the interim, it is not inconceivable that the shares will sell somewhat lower. The possibility of a furthur reduction in dividends must also be considered. If, however, you are prepared to retain your commitment, regardless of transitory market movements, we feel that over a reasonable period of time, such action would be justified.

J. C. PENNEY CO.

I am of the opinion that it is about time for me to average down my cost on 150 shares of J. C. Penney purchased in 1930 at a little above 35. All through 1930 and 1931 it did not break through 26 and at present prices it would seem to me time to buy a little more. What is your opinion; also please tell me how their sales and earnings are holding as compared to other similar companies.—E. J. K., Providence, R. I.

Although chain store companies as a whole have maintained comparatively satisfactory profits during the current depression, accomplishments of J. C. Penney Co. have been exceptionally remarkable. Despite the decline of 10% in dollar sales volume during 1931, Penney reported an increase of 7½% in net profits over that of the preceding year, as well as reporting the strongest cash position at the year-end, in its history. This favorable showing reflects the ability of the management to keep in constant adjustment with changing economic conditions. Although operating expenses have been cut to the bone, efficiency of the system has in no way been endangered. Moreover, the steadily declining market has enabled the company to pass its savings in merchandise costs along to its customers, a factor that has largely contributed to the increase in number of unit sales and profit expansion during the year. Thus far during the current year, the decline in dollar sales volume has continued, but profits are being maintained at satisfactory levels. For the first four months, total sales amounted to $44,-609,655, a decrease of 5.2% from that of $47,076,943, a year earlier. The decline in sales volume for the period is believed to be considerably lower than the average for chain stores. Present indications are that net income applicable to dividends on the common stock for the initial half of 1932 will approximate $1.50 which will compare with $1.46 a share registered in the first six months of 1931. The balance sheet at the close of last year revealed $5,298,550 cash and $8,453,679 in Government obligations that matured before March 31, this year. A recent bulletin of the company indicated that these maturities were re-invested, and that cash remained substantially unchanged from that at the close of last year, with no funded debt and no bank loans. The company reported a current ratio of 12 to 1, and net working capital of $48,000,000 at the year end, an increase of $4,000,000 during the year. In the light of the foregoing, there appears to be little danger of disturbing present dividend rate during the balance of 1932, at least. When consideration is given to the strong position and aggressive management, the common stock offers an exceptionally liberal income return at current levels. Confidence on the part of present shareholders is warranted and we favor averaging the cost of your present commitments.

INTERNATIONAL SHOE CO.

I noticed that the spread between high and low prices of International Shoe common thus far during 1932 is less than 10 points. Is not this narrow range unusual in the face of the prolonged decline of the market as a whole? I have been thinking of taking on a block of this stock, and would like to have the benefit of your valued opinion before taking definite action. —H. P. S., Jersey City, N. J.

The shoe business generally did relatively well in 1931, and the leading enterprises operating in that field were able to maintain a satisfactory volume of sales and earnings in spite of prevailing business conditions. Among the larger units in the field, the International Shoe Co. reported for its fiscal year ended November 30, 1931, consolidated net income of $9,-744,815, equal after 6% preferred dividends to $2.55 a share on the average number of shares outstanding during the year, against $12,874,104 or $3.26 a share, in the preceding fiscal year. Net sales have been declining steadily from the peak of $132,110,130 in 1929, to $102,393,618 in 1930 and to $86,802,294 in the 1931 fiscal year. The company failed to cover its $3 annual dividend rate on the common stock by a considerable margin in 1931, maintenance of dividends at the regular rate resulting in a deficit after payments of $1,595,769. The company on November 30, 1931, was in a strong financial position, with current assets of $59,761,261 including $21,382,687 cash and call loans, against current liabilities of $3,013,167, but it is evident that the $3 rate cannot be continued indefinitely in the absence of some recovery of earnings. There have been some price adjustments in the retail shoe field lately and recent dispatches from St. Louis indicate that the International Shoe Co.'s operations have been dwindling through the spring. Bookings are smaller than they were a year ago, but it is claimed that they are still sufficient to maintain operations at a profitable level. With prices reduced and output smaller, earnings for the 1932 fiscal year cannot be expected to equal those for the last period in the absence of a now unforeseen stimulation of business through the summer months. The company acquired 250,000 shares of its own stock in the course of 1931. The only capital liability ahead of the common stock is the 100,000 shares of $100 par 6% preferred stock. On November 30, 1931, $22,185,666 of the company's total assets of $96,195,054 were tied up in inventory, a reduction of more than $4,000,000 from the previous year, but still constituting a speculative element in view of the price situation in the leather and finished shoe trade. Under the circumstances, we concede the longer term possibilities for this company, but we do not regard the shares as undervalued at the present time, nor feel that the need for hasty accumulation is apparent.

NATIONAL CASH REGISTER CO.

What would you advise me to do with 135 shares of National Cash Register purchased at prices well above present levels? Do you think it would pay to close out my holdings entirely or do you see any signs of improvement ahead that might warrant additional purchases to cut down my original price?—A. J. G., Yonkers, N. Y.

Dominant in the cash register field and with a broad line of accounting machines, credit files and other specialty office apparatus, National Cash Register is necessarily closely dependent upon active general business for its sales volume. Thus, in the period which culminated in 1929, when existing enterprises were being expanded and when many new companies were starting in business, the demand for cash registers and similar equipment was mounting rapidly. The replacement demand for cash registers is not great due to the long life of the product. In 1928, National Cash Register reported sales of $48,978,285, the total rising to $57,607,181 in 1929, and subsequently dropping to $45,380,767 in 1930 and to $28,870,302 in 1931. Net profits last year were $824,339 compared with $3,584,530 in 1930, $8,-339,639 in 1929 and $7,817,571 in 1928. However, in the first quarter of 1932, the company gave evidence that the downward trend had been checked. For the quarter, a consolidated net loss of $339,654 was reported, compared with a net loss of $373,183 in the first quarter of 1931.

(Please turn to page 246)

New York Stock Exchange

RAILS

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 6/1/32	Div'd $ Per Share
A								
Atchison	242½	166	202⅜	79¼	94	23¼	24¼	4
Do Pfd.	108¾	100	108¼	75	86	44¼	44½	5
Atlantic Coast Line	175½	95¼	120	25	41½	9¾	11	..
B								
Baltimore & Ohio	122⅝	55⅝	87⅞	14	21⅜	3⅝	4	..
Bangor & Aroostook	84½	50⅛	66¾	18	24½	10	10	2
Brooklyn-Manhattan Transit	78⅜	55⅛	59⅜	31⅛	50¼	23⅛	24	4
Do Pfd.	98¾	83	94¼	63	78⅜	42½	43	6
C								
Canadian Pacific	53¼	35¼	45⅜	10⅜	20⅝	7¼	8¼	1¼
Chesapeake & Ohio	51⅜	32⅝	46½	23⅜	31½	10½	10⅞	2½
C. M. St. Paul & Pacific	26⅜	4¼	8⅞	1½	3¼	¾	¾	..
Do Pfd.	46¼	7¾	15⅜	2⅞	5¼	1⅛	1⅛	..
Chicago & Northwestern	89⅞	28½	45½	5	12⅝	2	2⅜	..
Chicago, Rock Is. & Pacific	125⅛	45¼	65½	7⅞	16⅜	1½	2¼	..
D								
Delaware & Hudson	181	130⅛	157¼	64	89½	38	39	9
Delaware, Lack. & Western	153	69½	102	17¾	28¾	8½	8½	..
E								
Erie R. R.	63¾	22⅛	39¾	5	10	2	2⅛	..
Do 1st Pfd.	67⅜	27	45½	6⅜	13½	2⅝	3	..
G								
Great Northern Pfd.	102	51	69¾	15⅝	25	5½	5½	2
H								
Hudson & Manhattan	53⅜	34⅞	44½	26¼	30¾	8	9¼	3½
I								
Illinois Central	136¾	65¾	89	9⅛	18¼	4¾	4¾	..
Interborough Rapid Transit	39⅛	20⅜	34	4⅝	14⅝	3⅛	3⅜	..
K								
Kansas City Southern	35⅜	34	45	6⅞	13¼	2¼	2¼	..
L								
Lehigh Valley	84⅞	40	61	8	18	6	6	..
Louisville & Nashville	138⅛	84	111	20¼	32⅜	7½	8	..
M								
Mo., Kansas & Texas	66⅝	14⅞	26¾	3⅞	7¾	1¼	1⅜	..
Do Pfd.	108⅜	60	85	10½	21⅞	3¼	3¼	..
Missouri Pacific	98½	20⅜	42¾	6⅝	11	1½	1⅝	..
Do Pfd.	145½	79	107	12	26	2½	2⅞	..
N								
New York Central	192¾	105⅛	132¼	24⅞	36⅝	9	9	..
N. Y., Chic. & St. Louis	144	73	88	2½	9½	1⅛	1¾	..
N. Y., N. H. & Hartford	128⅛	67⅝	94⅞	17	31⅝	6	6	..
Norfolk & Western	265	181½	217	105⅝	135	62½	63	*12
Northern Pacific	97	42⅜	60⅞	14½	23¼	5½	5¾	..
P								
Pennsylvania	86⅝	53	64	16¼	23⅜	6½	6⅞	..
Pere Marquette	164½	76½	85	4	13	2	2	..
R								
Reading	141½	73	97½	30	42	12	12	1
S								
St. Louis-San Fran.	118⅞	39¾	62¾	3	6⅜	⅝	1	..
Southern Pacific	127	88	109½	26½	37⅝	6½	7	..
Southern Railway	136¾	46½	65⅞	6⅜	13	2½	3½	..
Do Pfd.	101	76	83	10	20½	4⅜	4⅜	..
U								
Union Pacific	242¾	166½	205⅛	70⅛	94½	34	34¼	6
Do Pfd.	88⅝	82¼	87	51	68	40	40	4
W								
Western Maryland	36	10	19⅝	5	7¾	1½	1½	..
Western Pacific Pfd.	53½	23	31⅝	3	6⅝	¾	†1	..

INDUSTRIALS and MISCELLANEOUS

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 6/1/32	Div'd $ Per Share
A								
Adams Express	37⅞	14¼	23½	3⅞	5¾	1⅝	1¾	..
Air Reduction, Inc.	156⅜	87½	109¾	47⅝	62½	34¼	36	*4½
Alleghany Corp.	35¼	5¾	12⅜	1⅛	3⅛	⅜	½	..
Allied Chemical & Dye	343	170¼	182¾	64	87½	47⅜	48⅞	6
Allis Chalmers Mfg.	68	31¼	42⅜	10½	13⅝	4	4½	.50
Amer. Brake Shoe & Fdy	54⅝	30	38	13½	15½	6⅜	6¾	1.60
American Can	156½	104⅝	129⅜	58⅛	73⅞	34½	35½	*5
Amer. Car & Fdy.	82½	24⅛	38¾	1½	8⅜	3¼	4	..
Amer. & Foreign Power	101¾	25	51⅜	6⅛	9¼	2	2	..
American Ice	41⅞	24½	31⅝	10⅛	21⅝	11¾	11⅞	2
Amer. International Corp.	55⅝	16	26	5	8⅛	2⅛	2½	..
Amer. Mchy. & Fdry.	45	29¾	43⅜	16	23¼	8⅜	8⅞	1.40
Amer. Power & Light	119⅜	36⅛	64⅞	11⅝	16⅞	3⅝	3⅝	1
Amer. Radiator & S. S.	39¾	15	21½	5	8½	3⅛	3½	..
Amer. Rolling Mill	100⅞	23	37⅝	7⅝	13	3	3½	..
Amer. Smelting & Refining	79½	37½	58½	7⅛	18⅝	5⅛	5⅝	..
Amer. Steel Foundries	52¼	23½	31¼	5	8⅝	3	3⅛	..
American Stores	55⅛	36½	48¼	33	36¾	20	20⅛	*2½
Amer. Sugar Refining	69⅞	39¼	60	34½	39¼	13½	13½	2
Amer. Tel. & Tel.	274¼	170⅜	201¾	112½	137⅜	85	85½	9
Amer. Tobacco Com.	127	96½	128¾	60⅞	86⅜	40½	41⅝	*6
Amer. Water Works & Elec.	124⅞	47⅝	80¾	23⅛	34½	11	12	2
Anaconda Copper Mining	81½	25	43⅛	9⅛	12⅝	3⅛	3⅝	..
Assoc. Dry Goods	50½	19	29⅝	5¾	8¼	3	3	..
Atlantic Refining	51⅜	16⅝	23⅝	8⅝	12⅞	8⅝	9¼	1
Auburn Auto	[illegible]	60⅝	295½	84½	151⅜	28⅝	32	4

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930 High	1930 Low	1931 High	1931 Low	1932 High	1932 Low	Last Sale 6/1/32	Div'd $ Per Share
B								
Baldwin Loco. Works	38	19⅝	27⅞	4⅝	8½	2	2⅛	..
Barnsdall Corp. Cl. A	34	8⅝	14½	4	5⅞	3⅜	3⅞	..
Beech-Nut Packing	70½	46⅜	62	37½	44¾	29¼	30	3
Bendix Aviation	57⅜	14¼	25⅛	12⅝	18¾	4½	4⅝	..
Best & Co.	56¼	30⅜	46¼	19¾	24⅞	6	6⅛	..
Bethlehem Steel Corp	110¼	47⅜	70⅜	17¼	24⅜	7½	7¾	..
Bohn Aluminum	69	15¾	43	15½	22¼	5	5	..
Borden Company	90⅜	60⅛	76½	35⅛	43⅛	20¾	21	3
Borg Warner	50½	15	30¾	9	12⅝	3⅜	3⅝	..
Briggs Mfg.	25⅜	12⅛	22¾	7½	11¾	2⅞	3⅛	1
Burroughs Adding Mach	51⅞	18⅜	32¼	10	13	6¼	6¼	.80
Byers & Co. (A. M.)	112⅜	33⅛	69¾	10⅞	19	7	7½	..
C								
California Packing	77½	41¼	53	8	11⅞	4¼	4¼	..
Calumet & Hecla	33⅜	7¾	11⅜	3	4	1⅛	1⅛	..
Canada Dry Ginger Ale	75⅜	30½	45	10⅞	13½	6¼	6¼	1.20
Case, J. I.	362¾	83½	131½	33¼	43⅜	17⅛	18½	..
Caterpillar Tractor	79¾	22	52½	10¼	15	4½	4¾	.50
Cerro de Pasco Copper	65⅜	21	30⅛	9⅞	15	4	4	..
Chesapeake Corp.	82½	32¼	54⅛	13⅞	20⅝	5	6	2
Childs Co.	67⅝	22⅞	33¾	5⅛	7½	1⅞	1⅞	..
Chrysler Corp.	43	14⅛	25¾	11¾	15¾	5⅛	5⅛	1
Coca-Cola Co.	191⅜	133¼	170	97½	120	88¼	88⅞	*8
Colgate-Palmolive-Peet	64⅞	44	50½	24	31½	12¾	13¾	2½
Columbian Carbon	199	65⅛	111⅝	32	41⅞	13½	15	3
Colum. Gas & Elec	87	30⅝	45⅝	11⅝	16⅛	4¾	4⅞	1
Commercial Credit	40¾	15½	23¼	8	11	4	4	.50
Commercial Solverts	38	14	21½	6⅝	10¼	3½	3¾	.60
Commonwealth & Southern	20½	7½	12	3	4⅞	1⅞	2	.30
Consolidated Gas of N. Y.	136⅞	78¼	109⅝	57¼	68¾	33¾	33⅞	4
Continental Baking Cl. A	52½	16¾	30	4½	7	2⅞	3	..
Continental Can, Inc	71⅝	43½	62¾	30¼	41	19⅝	20	2½
Continental Oil	30½	7¾	12	5	7	4	4⅛	..
Corn Products Refining	111⅜	65	86⅝	36¼	47⅜	26⅞	27⅜	3
Cudahy Packing	48	38⅛	48⅞	29	35½	20	20⅛	4
Curtis Publishing	126⅛	85	100	20	31	12	12	2
Curtiss Wright, Common	14⅞	1¾	5⅞	1	2¾	⅞	⅞	..
D								
Davison Chemical	43⅝	10	23	3½	5¼	1	1½	.
Diamond Match	24⅞	10	23	10⅝	15⅞	12	12⅝	1
Dominion Stores	30⅝	12	24	11	18	12½	12½	*1½
Drug, Inc.	87⅜	57⅝	78¾	42¾	57	23	25⅛	4
Du Pont de Nemours	145¼	80½	107	50¾	59¾	25¼	25⅞	3
E								
Eastman Kodak Co.	255¼	142⅛	185¾	77	87⅞	38¾	39⅞	5
Eaton Mfg.	37¼	11⅝	21⅞	5⅜	8	3¼	4	.50
Electric Auto Lite	114⅞	33	74⅜	20	33¾	8½	8¾	4
Elec. Power & Light	108½	34⅜	60¾	9	15⅝	3⅛	3⅛	1
Elec. Storage Battery	79¼	47½	66	23	33¼	13	13⅜	3
Endicott-Johnson Corp.	59⅝	36⅞	45⅜	23½	36⅛	23¼	23¼	3
F								
Firestone Tire & Rubber	33⅛	15⅛	21½	12⅞	15⅝	11	11	1
First National Stores	61⅜	33⅝	63	41	53	37	37½	2½
Foster Wheeler	104½	37½	64½	8	12	3	3¾	..
Freeport Texas Co.	55½	24½	43¼	13¼	19½	10	10	2
G								
General Amer. Tank Car	111⅞	53⅛	73⅛	28	35¾	10½	11	4
General Asphalt	71⅛	22⅜	47	9⅝	15½	5	5	1
General Electric	95⅜	41½	54¾	22⅞	26⅛	8½	9⅛	.40
General Foods	61¼	44⅜	56	28¼	40½	19⅝	21⅛	3
General Mills	59⅛	40⅛	50	29⅛	37	28	29	3
General Motors Corp	54¼	31½	48	21⅜	24⅝	8½	8½	1
General Railway Signal	106⅞	56	84⅛	21	28⅝	7¾	7¾	1
General Refractories	90	39	57⅜	12	14¾	3¼	3¼	..
Gillette Safety Razor	106⅛	18	38¾	9¼	24¼	10⅝	12⅞	1
Gold Dust Corp.	47⅞	29	42⅛	14½	19⅝	8¼	9	1.60
Goodrich Co. (B. F.)	58½	15¼	20⅞	3⅜	5⅝	2¼	2¼	..
Goodyear Tire & Rubber	96⅞	35⅛	52¾	13¾	18¾	5½	6¾	..
Granby Consol. Min., Smelt. & Pr.	59⅞	12	22⅝	5¼	7¾	2½	2½	..
Grand Union	20⅝	10	18⅞	7	2¾	3⅛	3⅛	..
Great Western Sugar	34½	7	11⅞	5¾	6½	3¼	3¼	..
Gulf States Steel	80	15	37½	4	8	3	3	..
H								
Hershey Chocolate	109	70	103¾	68	83	47	47	6
Houston Oil of Texas (New)	‡116⅞	‡29¼	14	3	5⅛	1⅝	1¾	..
Hudson Motor Car	62⅞	18	26	7¾	11¾	2⅞	3	..
Hupp Motor Car	26⅝	7½	13⅛	3¾	5⅜	1½	1½	..
I								
Inter. Business Machines	197⅛	131	179¾	92	117	66¼	66¼	6
Inter. Cement	75⅜	49½	68½	16	18¾	3⅞	4	..
Inter. Harvester	115¾	45¼	60½	22⅝	29¾	14	15	1.80
Inter. Nickel	44⅜	12¾	20⅛	7	9¼	3½	4	..
Inter. Tel. & Tel	77⅜	17½	38¾	7⅛	12¼	2⅝	2¾	..
J								
Jewel Tea	66⅛	37	57⅛	24	35	15⅛	16	*4½
Johns-Manville	148⅜	48¾	80¾	15⅝	25½	10	10	..
K								
Kelvinator	26⅝	7⅜	15⅛	6	10⅝	2¾	3	..
Kennecott Copper	62¾	20⅛	31½	9⅝	13	5	5	..
Kresge (S. S.)	36¾	26⅛	29⅝	15	19	8¼	8¼	1
Kreuger & Toll	35¾	20⅜	27¾	4¼	9⅝	1/32	1/32	..
Kroger Grocery & Baking	48⅛	17⅞	35½	12½	18⅞	10	10¼	1
L								
Lambert Co.	113	70¾	87⅞	40⅛	56¾	25	25¼	8
Lehn & Fink	36	21	34¾	18⅛	24¼	6	8½	6
Liggett & Myers Tob. B	114¾	78¼	91¾	40	61¾	34⅛	35¼	*5
Liquid Carbonic	81⅞	39	55⅛	13½	22	9	10⅛	2
Loew's Inc.	95¾	41⅜	63½	23⅞	34	13¼	13⅝	4

The Bell Telephone Company of Canada

Notice of Dividend

A dividend of 1.75 per cent has been declared payable on the 15th day of July, 1932, to shareholders of record at the close of business on the 23rd June, 1932.

W. H. BLACK,
Secretary-Treasurer.

Montreal, 25th May, 1932.

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS (Continued)

	1930		1931		1932		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	6/1/32	Share
L								
Loose-Wiles Biscuit	70¼	40¼	54⅞	29⅞	36⅜	16½	17¼	*3
Lorillard	28⅛	8¾	21⅞	10	16⅞	9	9⅝	1.20
M								
Mack Truck, Inc.	88½	33⅝	43⅞	12	18⅛	10⅝	10⅝	1
Macy (R. H.)	159¼	81⅝	106¼	50	60½	21½	22	2
Marine Midland	32½	17¾	24¼	9⅞	12¼	6¾	7	.80
Mathieson Alkali	51⅜	30⅛	31½	12	20⅞	9	9⅛	1½
May Dept. Stores	61⅜	27¾	39	15⅝	20	10¼	10¼	1.80
McKeesport Tin Plate	89½	61	103½	38½	62¼	28¼	28¼	4
Mont. Ward & Co.	49⅞	15⅛	29¼	6⅝	11¼	3½	4⅛	..
N								
Nash Motor Co.	58½	21¼	40⅞	15	19⅛	8	8¼	2
National Biscuit	93	68⅝	83¾	36⅜	46⅞	27⅛	28	2.80
National Cash Register A	83½	27⅝	39¾	7⅛	14⅜	7	7	..
National Dairy Prod.	62	35	50¾	20	31⅜	15	15¾	2.60
National Power & Light	58¾	30	44¼	10¼	16⅜	7½	7⅝	1
Nevada Consol. Copper	32⅜	9	14¾	4¾	6⅝	2½	2½	..
North Amer. Aviation	15⅝	4¼	11	2⅝	4¼	1¼	1⅜	..
North American Co.	132⅞	57¼	90¼	26	40	14⅛	15	§10%
O								
Ohio Oil	34⅛	16	19⅛	5⅛	8½	5	6⅜	.20
Otis Elevator	80⅝	48¼	58½	16⅞	22½	9	10	2
Otis Steel	38⅞	9⅛	16⅜	3½	4⅜	1¼	1½	..
P								
Pacific Gas & Electric	74⅞	40⅛	54⅞	29⅝	37	16⅞	17¼	2
Packard Motor Car	23⅜	7¼	11⅞	3⅞	5¼	1⅞	1⅞	..
Paramount Publix	77¼	34¾	50¼	5½	11½	1⅛	1½	..
Penney (J. C.)	80	27⅝	44¾	26¾	34½	13	13⅝	2.40
Phelps Dodge Corp.	44⅜	19¾	25⅝	5⅞	8½	3⅞	3⅞	..
Phillips Petroleum	44¾	11½	16⅝	4	6½	2	3	..
Prairie Pipe Line	60	16⅝	26½	6⅞	9¾	5⅝	5⅝	..
Procter & Gamble	78⅞	52⅝	71¼	36⅜	42¾	25½	26⅞	2.40
Public Service of N. J.	123¾	65	96½	49⅛	60	32⅛	32¼	3.40
Pullman, Inc.	89⅜	47	58½	15¼	25	11¼	11½	3
Pure Oil	27¼	7⅝	11⅞	3¼	5⅛	3	3	..
Purity Bakeries	88⅞	36	55¼	10¾	15⅞	4⅜	4½	1
R								
Radio Corp. of America	69⅜	11⅜	27½	5⅛	10⅝	2½	2⅝	..
Radio-Keith-Orpheum	50	14⅜	4	2⅞	7	1⅛	1½	..
Remington-Rand	46½	14⅛	19¾	1⅞	3⅜	1	1¼	..
Republic Steel	79½	10½	25⅜	4⅛	6½	2	2	..
Reynolds (R. J.) Tob. Cl. B	58⅝	40	54⅛	32½	40¼	26¾	26⅞	3
Royal Dutch	56½	36⅞	42⅝	13	23	12⅜	15	.81
S								
Safeway Stores	122⅜	38¾	69½	38⅝	59¼	36½	37½	5
Sears, Roebuck & Co.	100⅝	43⅛	63¼	30⅞	37⅜	13⅛	13⅛	2½
Servel, Inc.	13½	3⅛	11¾	3⅞	5⅜	1¾	1⅜	..
Shell Union Oil	25½	5⅛	10¼	2½	4⅛	2½	2¾	..
Simmons Co.	94⅞	11	23¾	6⅞	10½	2¾	3	..
Skelly Oil Corp.	42	10⅛	12⅞	2	4½	2½	3	..
Socony-Vacuum Corp.	..	..	21	8⅜	10¾	5¼	5⅝	.80
So. Cal. Edison	72	40⅛	54½	28⅜	32¾	16⅝	16⅝	2
Standard Brands	29¼	14⅛	20½	10⅛	14	8¾	9	1.20
Standard Gas & Elec. Co.	129¼	53⅛	88⅜	25⅛	34¼	8⅛	8¼	3½
Standard Oil of Calif.	75	42¼	51¾	23⅞	27¼	15½	15½	2
Standard Oil of N. J.	84⅞	43½	52½	26	31½	19⅞	22⅜	*2
Stewart-Warner Speedometer	47	14¾	21⅞	4¾	6⅝	1⅞	2	..
Stone & Webster	113⅜	37½	54½	9⅞	15⅛	5¼	6¼	.50
Studebaker Corp.	47¼	18⅛	26	9	13¼	2½	3¼	..
T								
Texas Corp.	60½	28¼	36¼	9⅞	13⅞	9⅝	9⅝	1
Texas Gulf Sulphur	67⅜	40¼	55¾	19½	26¾	12⅝	12⅞	2
Texas Pac. Land Tr.	32⅜	10	17⅝	4¼	6½	2¾	2⅞	..
Tide Water Assoc. Oil	17¾	5⅞	9	2⅛	3½	2	2¼	..
Timken Roller Bearing	89¼	40⅛	59	16½	23	10⅜	10½	1½
U								
Underwood-Elliott-Fisher	138	49	75¾	13⅜	23½	9⅛	9⅛	1
Union Carbide & Carbon	106⅜	52⅛	72	27⅛	36⅜	15½	16	1.20
Union Oil of Cal.	50	20⅛	26⅝	11	13⅞	8⅝	8¾	1.40
United Aircraft & Trans.	99	18⅜	38⅞	9⅞	16⅞	6½	7¼	..
United Carbon	84	14⅜	28¾	6⅛	14	6⅝	6¾	..
United Corp.	52	13⅞	31¼	7½	10⅛	3⅝	3¾	.40
United Fruit	105	46½	67¾	17⅛	30½	11½	12	2
United Gas Imp.	49⅝	24¼	37⅛	15⅜	21¾	10½	10½	1.20
U. S. Industrial Alcohol	139⅜	50½	77⅞	20⅜	31⅛	13⅜	13½	..
U. S. Pipe & Fdy.	38¼	18⅛	37⅛	10	15½	7½	7½	2
U. S. Realty	75½	25	36¾	5⅛	8½	2⅛	2½	..
U. S. Rubber	35	11	20⅜	3⅛	5⅜	2⅛	2½	..
U. S. Smelting, Ref. & Mining	36½	17½	25¾	12⅜	19⅞	10½	10½	1
U. S. Steel Corp.	198¾	134⅜	152⅜	36	52⅝	25¼	26	..
Util. Power & Lt. A	45¾	19¼	31	7⅞	10⅜	1½	1¾	..
V								
Vanadium Corp.	143¼	44⅜	76⅜	11	18⅞	5¼	5¼	..
W								
Warner Brothers Pictures	80¼	9⅜	20⅜	2⅛	4⅜	¾	¾	..
Western Union Tel.	210¾	122⅛	150⅜	38½	50	16¼	16⅝	4
Westinghouse Air Brake	52	31¼	36⅛	11	17¼	9¼	9½	1
Westinghouse Elec. & Mfg.	201½	88⅛	107¾	22⅞	35⅞	18½	19	1
White Motor	43	21⅝	26¼	7⅜	12	7	7⅛	..
Woolworth Co. (F. W.)	70⅜	51⅛	72⅜	35	45⅝	23½	24⅜	2.40
Worthington Pump & Mach.	169	47	106⅞	15¼	23⅜	5	5¼	..
Wrigley (W. Jr.)	81	65	80⅜	46	57	25¼	25¼	4

† Bid Price. § Payable in stock. * Including extras. ‡ Old stock.

Securities Analyzed, Rated and Mentioned in This Issue

Industrials

Bonds

Public Utilities

Railroads

Mining

Petroleum

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, May 23	56.44	52.98	17.26	47.29	46.01	557,520
Tuesday, May 24	55.99	50.85	16.29	46.27	44.24	984,087
Wednesday, May 25	55.00	49.10	15.63	44.13	42.53	1,308,302
Thursday, May 26	54.02	49.98	15.94	44.59	41.18	1,855,560
Friday, May 27	53.69	47.47	15.37	43.98	41.25	901,795
Saturday, May 28	53.23	47.70	15.27	41.84	40.29	675,473
Monday, May 30	HOLIDAY — EXCHANGE CLOSED					
Tuesday, May 31	51.94	44.74	14.30	40.87	38.64	1,475,520
Wednesday, June 1	52.04	44.93	14.10	41.59	37.76	1,842.508
Thursday, June 2	53.22	47.25	15.02	40.39	36.93	1,867,001
Friday, June 3	55.32	48.40	15.87	42.90	40.33	1,887,073
Saturday, June 4	58.60	50.88	17.64	43.90	42.06	998,562

Answers to Inquiries

(Continued from page 240)

Financial position of the company on March 31, 1932, was sound, with current assets of $25,943,735 against current liabilities of $2,620,963. This strong current position will prove important to the company in regaining its sales volume as general business conditions improve. Inasmuch as no dividends are paid on either the class A or B shares, the only capital liabilities, the current financial strength will not be impaired by distributions to stockholders. Unpaid dividends on the class A stock are accumulating at the rate of $3 annually. During the period of depression, the company has made a thorough survey of the foreign field, with a view to taking aggressive action in an effort to improve that division. The shares are now selling at levels which appear to amply discount the current earnings recession and the more favorable longer term prospects lead us to look upon the sale of the stock at prevailing prices in the nature of a sacrifice and counsel against such action. Purchases, however, should be deferred pending, general clarification of the trade and securities markets outlook.

LOOSE-WILES BISCUIT CO.

Is the price drop in Loose-Wiles to be taken as a reflection of instability in earnings and dividends, or merely due to causes within the market? Also please tell me if you think it wise to buy at the present time. —L. K. M., Philadelphia, Pa.

Loose-Wiles Biscuit Co., the baker of "Sunshine" biscuits ranks as the second leading unit in the specialty baking field. Aggressiveness of the management is manifested in the expansion carried out during the past few years, and the gains made on its rival, National Biscuit Co. The company maintains twelve bakeries scattered throughout the country in addition to which it operates a dog bread plant, candy plant, flour mills, and a printing establishment. A new branch factory at Los Angeles, Calif., will shortly be in full operation, thus strengthening the company's position on the Pacific Coast. Distribution of its products is accomplished through 150 branches strategically located throughout the country, serving between 300,000 and 400,000 outlets regularly called upon by an extensive sales force. Sales policy also involves a nation-wide advertisement campaign in virtually all popular and widely circulated magazines. Earnings decline during the depression, has been less pronounced than that of other lines, reflecting relative stability of selling prices and the savings effected through substantially lower raw material costs. Profits for 1931 equalled $3.14 a share on the common stock compared with $4 a share in 1930 and $4.88 in 1929. For the first quarter of 1932, per share profits amounted to 65 cents against 82 cents for the corresponding interval of 1930. The balance sheet dated December 31, 1931, revealed total current assets of $8,000,000, including $2,404,000 of cash and marketable securities, against total current liabilities of slightly less than $1,900,000. While this may be considered as a strong financial position, it obviously would be unwise to needlessly weaken the position in the face of continued earnings decline. Thus, some revision of current dividend rate appears likely. However, current prices for the common stock amply discount this factor. Although considerable irregularity in quotations is likely to be witnessed during the immediate future, Loose-Wiles common merits favorable consideration for purchase at current deflated levels.

F. W. WOOLWORTH CO.

I am holding 110 shares of F. W. Woolworth Co. purchased at about 42. What is your opinion of the value of the new plan introducing 20-cent articles? Do you think this will have any appreciable effect on earnings? I will appreciate a complete answer that will tell me whether to hold and if so is it advisable to purchase additional shares at this time.—E. A. R., Dayton, Ohio.

The showing of F. W. Woolworth Co. for 1931 was outstanding among the reports made by the big merchandising chains, and reflected the success of the management in maintaining its volume of sales in the face of generally difficult business conditions. The net profits of $41,348,795 marked a new peak for the company equal to $4.24 a share against $3.56 a share in 1930 and $3.66 a share in 1929. It is true that these earnings included $9,977,452 representing profits on the sale of securities of the British subsidiary, F. W. Woolworth & Co., Ltd. However, the parent company maintained its sales within 2.3% of the 1930 level, and the margin of profit on these sales was 10.01 cents on the dollar, compared with 10.64 cents in 1930. The trend of sales has been lower through the first months of 1932, reflecting the drastically curtailed public purchasing power. In the first four months of the year, sales were down 6.4% from the like 1931 period, and in the month of April, sales were 12.9% under those for April, 1931. In an effort to offset this trend, the management experimented with a line of merchandise selling at 20 cents per unit, compared with the previous 10-cent maximum price. The experiment proved successful and it is expected that the new lines will be introduced in the company's some 1900 stores as rapidly as possible. The 20-cent merchandise is to constitute about 20% of the store inventory, the remaining 80% being devoted to 5- and 10-cent goods. No additional floor space or help will be needed. Over the longer term, we would expect the new lines to prove an important contributor to the company's earnings. Inasmuch as Woolworth does not report interim earnings, it is difficult to determine the margin by which current dividends are being covered at this time. However, the company was in a strong financial position at the close of 1931 with current assets of $60,321,630 including $23,207,082 cash against current liabilities of $6,753,400. Feeling that current quotations for the shares amply discount such decline in sales as has taken place already or appears in prospect, we favor purchase or retention of the shares where they form part of a well diversified business man's portfolio.

ROSSIA INSURANCE CO. OF AMERICA

Will you kindly give me a report on Rossia Insurance as regards its financial condition and future prospects? Do you consider the shares a good buy at current levels?—A. E. M., Grand Rapids, Mich.

The downward course of the stock market, as well as generally curtailed business activity during the current depression has particularly handicapped practically all insurance companies in maintaining satisfactory earnings. Throughout the "boom" period of 1927-1929 earnings of this group of companies reflected the bull market existing at that time. Conversely, sub-

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
$2.00	American Stores Co....	$.50	Q	6-15	7-15
9.00	Amer. Tel. & Tel. Co...	2.25	Q	6-20	7-15
3.00	Beech-Nut Packing Co..	.75	Q	6-13	7-1
7.00	Coca-Cola Co.	1.75	Q	6-14	7-1
....	Coca-Cola Co.	.25	Ext	6-14	7-1
3.00	Coca-Cola Co. Cl. A....	1.50	SA	6-14	7-1
3.60	Consol. Gas of Balt.....	.90	Q	6-15	7-1
1.00	Dome Mines, Ltd.	.25	Q	6-30	7-20
....	Dome Mines, Ltd.	.20	Ext	6-30	7-20
3.00	Electric Storage Battery	.75	Q	6-11	7-1
.40	General Elec. Co.	.10	Q	6-24	7-25
6.00	Inter'l Business Mach..	1.50	Q	6-22	7-11
1.80	International Harvester.	.45	Q	6-20	7-15
3.00	Loew's Inc.	.75	Q	6-13	6-30
1.50	Mathieson Alkali Works	.37½	Q	6-13	7-1
2.80	National Biscuit Co....	.70	Q	6-17	7-15
2.40	Penney (J. C.) Co......	.60	Q	6-20	6-30
5.00	Safeway Stores, Inc.....	1.25	Q	6-17	7-1
4.40	U. S. Tobacco Co.......	1.10	Q	6-13	7-1

sequent deflation of security values has necessitated substantial write-downs in value of investment portfolios, which makes for deficit operations in the insurance group. Of course, life insurance companies for the most part have been the exception to this unfavorable course of events, because of restricted investment powers. In an attempt to formulate a fair value for securities, the National Convention of Insurance Commissioners, at a meeting held December 31, 1931, agreed that security investments might be evaluated in accordance with the closing prices as of June 30, 1931, instead of those existing at the close of last year, a materially lower figure. Although this decision is not binding upon the respective state insurance supervisors, the plan has been acceptable in the majority of the states. Thus, losses from depreciation of security investments during last year were somewhat minimized. Primarily as a result of operating economies effected during the year Rossia Insurance Co. of America was able to show a profit of $83,049 or 28 cents a capital share for 1931 as compared with a loss of $2,658,606 in 1930. Employing the valuation formula of the Convention, book value of the capital stock as of December 31, 1931, equalled $26.46 a share, while the Connecticut formula reveals liquidating value of $17.33 a share. Net premiums written during 1931 amounted to $5,686,379, or 41% less than those of the preceding year, a factor that will restrict 1932 earnings substantially. Moreover, further write-offs in security values no doubt will be necessary at the year-end. Rossia Insurance is engaged in the reinsurance of all types of policies, except life insurance, specializing in the fire and marine fields. Although current prices for its shares appear to reflect unfavorable 1932 prospects, we would prefer to await general clarification of the business outlook before endorsing purchases.

HOMESTAKE MINING CO.

Is the increased dividend on Homestake Mining justified, and do you think the rumored extra dividend likely to be paid? I had about made up my mind to defer stock purchases, but Homestake looks so good that I am thinking of buying some. What would you advise?—F. R. G., Miami, Fla.

The Homestake Mining Co., the leading gold mining enterprise in this country, has the unusual record of having paid monthly dividends regularly since 1897 except for the period from May, 1907, to early 1908, when a fire caused a shut-down of the mines. An even more unusual record recently was established when the company increased the monthly payment to 75 cents from the former 65-cents rate, the increase coming at a time when the average corporate dividend was being reduced. The company earned $9.70 a share in 1931, and it is reported that the earning power in the current year is about the same. In addition to regular monthly dividends, the company has paid an extra this year of $1, and it is possible that a similar payment will be made later this year, as the company has always been generous to its shareholders, especially during times of economic stress. With production costs holding at low levels, the gold mining industry should continue to be in a satisfactory position, and Homestake is recognized as being highly conservative with a strong financial position. The shares possess merit, but it is important to bear in mind that a mining enterprise necessarily lacks prime investment qualities, and consequently, commitments should only be made with due regard to this factor.

Missouri, Kansas & Texas Railway Co.

(*Continued from page* 217)

that the Missouri, Kansas & Texas Railway 1st 4s have already successfully weathered one receivership and at recent prices were certainly discounting another. For example, in 1919 they ranged between 58 and 69, in the following year between 52⅛ and 63⅝ and in 1921 between 56 and 75⅛. Today they are quoted around 67 to yield slightly more than 6% to maturity. While this price may appear low, it must be remembered that it represents a rise of some 10 points which came about as the result of the formation of the bankers' bond pool. As a matter of fact, the rise might be described better perhaps as speculative in anticipation of what the bankers' pool might do, for actual operations are barely under way. Under these conditions, the prospective purchaser would be well advised to await either some reaction or actual evidence of the pool's successful operation before committing himself. He must nevertheless always bear in mind that the extremely low earning power which is anticipated for 1932 may prove to have been judged too pessimistically. Also that, even if receivership should take place, traffic and earnings will have to decline quite a little below even the lowest of present expectations to afford an excuse sufficiently strong to interfere with the first mortgage 4s.

Important Corporation Meetings

Company	Specification	Date of Meeting
Amer. Beet Sugar Co.	Annual	6-14
Austin, Nichols & Co., Inc	Special	7-20
Brooklyn Union Gas Co	Special	6-14
Bulova Watch Co., Inc	Annual	6-21
City Stores Co	Annual	6-15
Colorado Fuel & Iron Co	Special	6-23
Commonwealth & Southern Corp	Annual	6-15
Curtiss Aeroplane & Motor Corp., Inc.	Special	6-13
Greene Cananea Copper Co	Annual	6-20
International Cement Co	Special	6-17
McCrory Stores Corp	Special	6-29
National Surety Co	Special	6-17
Pan American Pet. & Trans	Annual	6-14
Remington Rand, Inc	Annual	7-19
West Va. Pulp & Paper Co	Common Div'd	6-21
Westinghouse Air Brake Co	Common Div'd	6-10

Is Market Adjustment Nearing Completion?

(*Continued from page* 201)

cause for fresh relapse for some time to come.

Meanwhile the markets are most sensitive to political developments, both here and abroad. The legislation actually adopted by Congress thus far is, on the whole, constructive, but there has been much destructive talk, as well as paralyzing uncertainty and inaction. With the writing of a tax bill and the achievement of at least a "paper balance" of the budget, much of this uncertainty has now been cleared away. The prospect of a relatively early adjournment of Congress adds still more comfort to the markets. Developments in this respect are largely responsible for the current stronger tone of the markets.

Their ultimate significance is something else again. It is quite certain that political and social problems will loom large in the final phase of the depression, as they always have in all depressions. They may at times dominate purely economic factors. The tax bill is far from a perfect bill. Congress may have to re-write it some months hence. Whether the budget is actually balanced will depend largely upon the course of business and the actual taxes it yields, as well as upon the degree of determination with which governmental expenditures are cut. It is likely that for some time we will be unable wholly to forget the budget, taxes and problems of social relief.

The highest type of patriotic leadership will be required to guide the country through this period without disaster. The national election may give us some clue as to whether we can expect that leadership. Meanwhile, those who fear the worst in

political or social trends have very little recourse and might just as well assume with the majority that we will come through in the common sense American fashion. If capitalism should fail, there will be no safety in dollar bills, gold or any other form of wealth. Fortunately, unlike various other people, a vast proportion of Americans are capitalists and have a stake in the present system. That is the most convincing reason for confidence that the system will endure, even against any further probable shocks.

The foreign outlook is unquestionably clouded by the recent passing of control of the German government to the extreme Right. This is an intensification of German nationalism along virtually pre-war lines. It adds to our doubts concerning reparations and other international debts. There is reason to believe that the political trend in Germany may ultimately bring to an issue the question of substantial revisions of the Versailles Treaty, including some shifting of frontiers and the re-emergence of Germany as a free nation.

The effects of such a European explosion are subject to a variety of conjecture. It might in the long run restore some measure of stability to Central Europe. If we anticipate it, it should not unduly alarm us.

International Tel. & Tel.

(*Continued from page 225*)

poration being reorganized on a total capitalization of this amount, its current earnings would appear eminently satisfactory.

But while any such reorganization appears unlikely, a substantial revision of capitalization would be possible merely as an accounting measure. With the common stock carried on the balance sheet at $214,563,000, this liability item might be subject to write-down, with a corresponding write-down of property assets and an increase in capital surplus. Adjustments of this kind have been found desirable in many companies. They do not change real security equities. In many cases they make possible lower depreciation charges and open the road to resumption of dividends when business begins to improve.

The roots of most other companies of comparable size go much further back than do those of International Telephone. The majority of our industrial giants had many years of relatively normal business conditions during which to build upon a solid foundation. International Telephone was established and rapidly expanded during a period that is now regarded as having been inflationary. Neither the conditions under which it grew nor those of unprecedented world depression under which it now operates can be regarded in any sense as normal.

Hence, the twelve or thirteen years of its existence provide at best a very imperfect basis on which to estimate its future. It appears logical to assume, however, that that future has unlimited possibilities if the present can be survived.

Operates in 58 Countries

The company's operations at present extend to 58 countries. Through its continuing acquisitions and expansions, gross earnings increased from $3,881,030 in 1921 to $104,472,598 in 1930.

In 1931 they receded to $89,307,937. Up until 1929, earnings available for fixed charges and net income available for the common stock kept in satisfactory pace with the growth of gross business, confirming thereby the success of the company's expansion program. Over the last eleven years fixed charges have been covered on an average of 3.38 times annually. Net income for common, starting at $953,088 in 1921, reached a maximum of $17,732,159 in 1929, receded to $13,750,133 in 1930 and to $7,654,001 in 1931. The dividend on the common shares was deferred at the last meeting of directors. First quarter earnings per share approximate 17 cents.

Considering prevailing circumstances, there is nothing in this record to suggest that foreign undertakings have involved any important mistakes of judgment. On the other hand, it is open to question whether International Telephone's acquisition of the Postal telegraph and cable properties in 1928 will prove to have been a wise move. These properties are not now satisfactory income producers and constitute one of the company's important problems.

Here, too, however, the test is not complete and there is risk in premature judgment as to the future. While combination of the two great telegraph companies now competing unprofitably in this country would be difficult, if not impossible, under existing laws, the economic drift is plainly in that direction and it may be possible for public opinion eventually to be brought to accept regulated monopoly in this field as fully as desirable and in the general interest as it is now accepted in the case of the telephone. Such a development would greatly increase the value of the Postal properties.

In summary, the immediate difficulties of depression loom larger for International Telephone than do the uncertainties of the longer future. Accordingly, new buyers either of the company's stock or its debentures may prudently defer commitments until the world's economic skies are clearer. In view of the great depreciation already recorded, however, it is to be doubted that present security owners should sacrifice their holdings at a level which may very well prove near bottom.

Blaming the Stock Market

(*Continued from page 234*)

follow a more orderly movement where there is a large volume of trading. Allow the trading to become thin, and there is always danger of some very erratic fluctuations, in case some seller is severely pressed to liquidate.

For all the damage which the market may do to the speculator, it nevertheless offers the soundest factor of safety to the real investor. By informing the investor daily as to the world's opinion of the value of his holdings, anyone can, through the mechanism of the stop loss order conserve the greater portion of his principal, at least. That comparatively few investors seem to have availed themselves of this mechanism, is surely no fault of the market. Not only has the market given them the evaluation of their holdings, but it has stood at their service instantaneously to convert those holdings into that value, should they have so desired.

This nation achieved its gigantic financial strength through the expansion of its industries, made possible by using the public credit. The public will withhold that credit in the future, unless through an active market, they are given the opportunity to withdraw that credit whenever they desire. Hence restrictions of the market will restrain the growth of new enterprises by making it too costly for the public to buy and sell securities.

Any restriction of the market may do a great deal of harm. It might impair the liquidity of securities, contract credit, restrain expansion, cause erratic price movements, and remove the factor of safety obtained through the use of the stop-loss order.

For Features to Appear in the Next Issue See Page 195

25 Points Net Profit in Recent Market Upswing

WEDNESDAY morning, June 1, prior to the subsequent sharp rebound in the stock market, we telegraphed subscribers who follow our Trading Advices to buy Air Reduction at 36, American Can at 36, Consolidated Gas at 37 and American Telephone at 89. As a safeguard to limit possible loss of capital, under present critical conditions, two point stops were used.

Monday morning, June 6, profits were taken on these commitments—profits that more than offset the small losses accepted by subscribers who may have been stopped out of Consolidated Gas and American Telephone.

We Forecast Bond Market Recovery to the Benefit of Our Subscribers

Anticipating the substantial recovery in the bond market which started June 1, and the outstanding profit possibilities that would develop, our subscribers had been advised a week previously through our Trading Advices to buy at fixed prices five selected bonds for short-term holding. On Saturday, June 4, these five bonds showed 21½ points profit—without a single loss. And our subscribers have the assurance of knowing that we will advise them when to convert these profits into cash.

This is the type of security advisory service you should be receiving. Your first commitments made in accordance with our definite advices may very readily bring you profits greatly in excess of $75—the moderate cost of a full six months' test subscription.

So that you may receive our next recommendations at the same time as our regular subscribers, we urge that you mail your test subscription to the Forecast today. If you are outside the over-night postal zone, telegraph us: "Subscription and remittance in mail. Wire Trading Advices."

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(c) ***Investments for Income and Profit.*** Sound dividend-paying common stocks entitled to investment rating, with good profit possibilities. Recommended and carried in our Bargain Indicator.

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New York Curb Exchange

IMPORTANT ISSUES

Quotations as of Recent Date

Name and Dividend	1932 Price Range High	Low	Recent Price
Aluminum Co. of Amer.	61¾	22	22¾
Alum. Co. of Amer. Pfd. (3)	67¾	34	35
Amer. Cities P. & L. A. (3)	28½	16⅛	17
Amer. Cit'es P. & L. "B"	3	⅝	¾
Amer. Cyanamid B	5⅜	1⅝	2
Amer. & Foreign Pwr. War.	5	1⅛	1⅛
Am. Lt. & Trac. (2.50)	24	10	10½
Amer. Gas & Elec. (1)	39¾	14½	17⅞
Amer. Superpower	4¾	1⅛	1⅛
Assoc. Gas Elec. "A" (Stk. 5%)	4⅜	1¼	1⅞
Brazil T. L. & P. (Stk. 8%)	13⅜	7	7⅝
Central Stat. El.	2⅜	½	9/16
Cities Service	6⅞	1⅛	2⅛
Cities Service Pfd.	53⅜	10	14¾
Commonwealth Edison (8)	122	49⅞	50
Commonwealth & So. War.	¾	¼	5/16
Consol. Gas Balt. (3.60)	69½	37¼	40
Crocker-Wheeler	5⅛	1⅛	1⅜
Deere & Co.	14⅞	4	4⅜
Elec. Bond & Share (6% stk.)	32⅜	5	6
Elec. Bond & Share Pfd. (5)	54	17	20
Ford Mot. of Canada A	15	5	5⅛
Ford Motors, Ltd.	6⅛	2½	2¾
Goldman Sachs T.	3½	1	1⅛
Gt. A. & P. Tea n.-v. (6½)	150	103¼	107
Gulf Oil of Pa.	35⅞	23⅛	24½
Horn & Hardart (2½)	29	15⅛	15⅛
Humble Oil (2)	49	35⅝	35¾
Internat. Pet. (1)	10⅝	8¼	8¾
Mountain Prod. (.80)	3¼	2⅛	2½
Nat. P. & L. Pfd. (6)	72	35	35
Niagara Hudson Power (.40)	7¼	2⅞	3
N. Y. Steam (2.60)	55	30	30
Penroad Corp.	3¾	1	1¼
Salt Creek Prod. (1)	4½	2⅞	3
Singer Mfg. (8)	134	75	75½
Standard Oil of Ind. (1)	19¼	13⅛	17¼
Standard Oil of Ky. (1.20)	15⅞	8⅞	9⅛
Swift & Co. (1)	18⅞	7	8
Teck-Hughes (.60)	4⅝	2¾	2⅞
United Founders	2⅛	1/16	⅝
United Lt. & Pow. A	8¾	1⅜	1⅞
United Gas Corp.	2⅝	⅝	⅝

FOLLOWING similar action in the bond market and on the "Big Board," the most promising rally in many months has developed on the New York Curb Exchange. Virtually all classes of securities have participated in the movement, which has the advantage of resting upon the technical aid created by preceding sharp decline.

As was to be expected, recovery has been most pronounced thus far in those issues which had been most severely depressed during recent weeks of frightened and forced liquidation. Most prominent among these in point of trading activity is the public utility group. Just prior to the beginning of the rally the general decline in these issues had become virtually a rout. The proposal made in Congress to impose a tax of 3% on the goods revenue of electric utilities was interpreted by the market as something of a body blow.

It developed, however, that the intention of Congress was that the tax would be passed along to the consumer. This abruptly reversed the selling of utilities and gave them leadership of the general rally induced both by the better feeling concerning a balanced Federal budget and by the appearance of organized banking support in the bond market. Typical of the movement, American Gas & Electric rebounded from a low of 14½ to above 20 in three sessions. Sharp recoveries also were experienced in the Electric Bond & Share issues and in such utilities as Commonwealth Edison and Consolidated Gas of Baltimore.

Among industrial and miscellaneous stocks, improvement has been more moderate, although numerous gains of 1 to 3 points are shown. Most of the oil issues likewise have rallied somewhat from their lows. In the bond section even more notable recoveries have developed, some issues spurting 2 to 5 points in a single session.

The character of the rally suggests at least an important intermediate change in the market. It is quite possible that prices of sound bonds have seen their lows. If this proves to be the case investment confidence generally can hardly fail to increase and prices even of speculative issues may improve in sympathetic response as forced selling dries up. In the long run, however, stock values will be made by business earnings and the trend in this respect is not yet visibly changed. Unless there is an increase in business activity and profits, some further testing of recent Curb Market lows may yet be seen.

The Democratic Viewpoint

(Continued from page 211)

logical for the Democratic platform to point out that we are now in the third year of the panic and that it was the President's duty, and quite within his power and prerogative, to effect the government economies, the necessity of which he now admits, at any time he desired. Moreover, there was no reason that the President at any stage of the panic period should not have taken the steps necessary to balance the budget long before the deficit assumed its present terrific proportions. It is quite possible that to do this, in addition to effecting plainly indicated economies in government, would have involved successive tax increases. At worst this procedure would have been better than to let the nation drift along at the high tide of spending and to bring upon the people at one blow the extraordinary taxes which we must now face.

Of course a mere arraignment of what I believe is the outgrowth of the present administration and a roster of its errors is not enough. The Democratic party should, as nearly as possible, outline the steps it proposes to remedy our ills. As part of this declaration it should call attention to the Democratic authorship of such measures of amelioration as the Reconstruction Finance Corporation, the Glass-Steagall bill, and the Wagner measures on unemployment which were throttled by the President more than a year ago, with the consequent prolongation of the most distressing feature of the time.

Americans First

At various stages the Democratic Congressional leaders have offered the President cordial co-operation in the enactment of a program of restoration. It was only with the utmost difficulty and after incessant delay they obtained from the White House any concrete plan. Moreover, however general the Democratic acceptance of the President's ideas, he insisted on the total endorsement of all elements of his program despite the fact that he himself varied these from time to time and utterly abandoned some of them. Actually our whole governmental history does not afford an example of such willingness of the opposition party to avoid embarrassing the administration as that given by the Democrats in the present Congress.

This willingness to submerge partisan politics in the country's interest will be reflected in the platform to be adopted. The myth that only the Re-

publicans can assure prosperity has, of course, been exploded, and with it their favorite thesis that the Democratic party is the enemy of business has been made even more ridiculous than it was. Practically without exception the radical suggestions have all proceeded from one wing of the Republican army. Consequently I assume that there will be assurances to business of a constructive, helpful administration for commerce, agriculture, industry and labor, and as the men who will frame our platform are among the most eminent in public life, the sincerity of their declarations will be appreciated.

The Democratic National Convention of 1932 is undoubtedly the most important gathering of the sort of modern times. Everybody is conscious of the strained situation throughout the world. We have no occasion to exaggerate the perils, but the need of leadership and the necessity of placing in control of our government an administration capable and courageous enough to meet whatever emergency may arise is patent to all of us.

I do not believe that our country is prepared to entrust this responsibility to a President who has shown himself inadequate, dilatory and uncertain. For that reason I believe that the candidate we nominate at the coming convention is, in all probability, fated for this great destiny.

Economic Recovery Possible Without Major Price Advance

(*Continued from page* 207)

phases of all past depressions, we have already made great progress in cyclical adjustment. Capital savings and consuming demands are accumulating. Debts are being steadily liquidated. It is likely that a certain unpayable proportion of debt will remain, to be adjusted through default, the writing off of capital losses and, in many instances, the transfer of property ownership.

Completion of the cycle can certainly lead to some degree of economic revival and to some improvement in the price situation. Neither in the cyclical nor the secular price factors now visible, however, is there any reason to believe that such improvement will take the form of any substantial advance in the general commodity level.

Important price improvement is possible without a lifting of the wholesale average. The damage which has been done is the result not of the present level in itself, but of the dislocations caused in the process of change to that level. If all prices, wages and fixed charges had gone down together and in proportion, the exchange of goods certainly would not have been disrupted to the present degree. There has been, instead, a lag in the adjustment of fixed charges and of wages, and the utmost variation has been shown in the declines of individual commodities.

Correction May Take Time

The wheat farmer's problem is not the dollar price of his product but its reduced exchange value in terms of the finished goods which he must buy. It will, obviously, take some time for the prevailing maladjustment of commodity relationships to be corrected or for production and distribution to adjust themselves to more or less permanently changed relationships. Regardless of secular causes for declining prices, it appears likely that the present stagnation will be broken by at least moderate advance in many raw materials which are selling below production costs, by decline in prices of finished goods which remain out of line and by completion of cost adjustments relating to wages and fixed charges upon capital obligations.

It appears very unlikely that the result of such an adjustment will show up in a rise of any substantial proportions in the average price line, for recovery in some of the more depressed items probably will be offset, as it should be, by lower prices for finished goods. If it were possible by artificial means to raise the general level, the essential difficulty of maladjustment in exchange values would remain unchanged. That is, if all prices should go up, the farmer would still have to pay too much wheat for a tractor, a pair of shoes or a suit of clothes.

But if a more equitable basis of exchanging goods is established, as it ultimately will be through the automatic regulation which price itself forces, trade activity and business prosperity will not be dependent upon rising prices. It will be possible to prosper upon stabilized prices or even upon declining prices, if the annual rate of decline is sufficiently gradual to permit constant business adjustment to it. That we can have prosperity under such conditions is conclusively demonstrated by the fact that we often have had it in the past, without price inflation. The accompanying chart again may be cited as convincing proof that the growth of wealth and of corporate profits in this country has by no means been confined to the three major inflations of the past century and a quarter. We have had booms and panics on rising prices and booms and panics on declining prices.

Present average prices are no worse, in fact a slight bit better, than the average which prevailed during the forty years between 1820 and 1860 and the thirty-three years between 1880 and 1913. As for the 1926 price level—that is so far above the average of the last 132 years as to put a stamp of folly upon any hope of getting back to it. A great war would put us back there, and probably destroy the world in the process. Any other form of inflation would merely delay the adjustment now being successfully worked out.

Moreover, generally low prices are not to be deplored but, on the contrary, much to be desired. They establish many problems of economic and social adjustment, but fundamentally they are not incompatible with relatively high standards of living. If there is any justification for technical progress, it can only lie in declining costs, declining hours of labor and advancing production and consumption.

Aluminum Co. of America

(*Continued from page* 231)

making efforts to introduce an ordinary sanitary packers' can made from the metal. Should it be successful it is not difficult to imagine that this in itself would be an immense field.

Turning from aluminum to the only company in this country which produces it, the prospective investor finds himself in all kinds of trouble. The company is undeniably secretive, it is only in the last few years that it has been willing to divulge anything about the metal itself or its uses. Financial matters are still regarded as strictly the company's own business. Even stockholders can obtain only the faintest of ideas as to where they stand. Let us take the balance sheet issued as of December 31, 1931, to illustrate the point.

The company according to its own statement has current assets of nearly $84,000,000. The item includes inventories of aluminum, materials and supplies of $42,200,000 and marketable securities of $24,491,000. Now it is known that stocks of the metal have increased considerably in recent times, for the company itself, when cutting the dividend on its $6 preferred stock to $3, said that it was obliged to do this because of its contracts for electric power which had to be paid for, whether used or not. It is not known, however, how many pounds of aluminum are held, nor is it known exactly how *liquid* as an asset this poundage is. The selling of say $30,000,000 worth of aluminum in times like the present on short notice seems almost impossible. As for the item "marketable securities," of what is this composed? Does it include the 2,500,000 shares of

Niagara Hudson Power old stock which the company is thought to hold and if so can 2,500,000 shares of anything be considered easily marketable in the present state of our security markets?

A little further down the asset column there is an item amounting to nearly $52,000,000 entitled "investments in subsidiary and affiliated companies not consolidated herein." This probably includes the Aluminum Co.'s interests in the Aluminum Goods Manufacturing Co., the United States Aluminum Co., Aluminum Manufacturers, Inc., and the Aluminum Screw Machine Products Co., but whether this is actually so, or whether it includes anything else it is impossible to discover.

The liabilities side of Aluminum's balance sheet is almost as obscure as the assets side. Among the current liabilities is the item "bills payable," totalling $23,050,000, which seems out of all proportion to its name. We suspect that the item might better be described as "bills of exchange discounted for the purpose of financing inventories" i.e. bank loans. But we do not know for certain and the company refuses to tell.

Among the aspects of the Aluminum Co. about which something is known may be mentioned its present capitalization and past earning record. The company's capital liabilities at the end of last year consisted of 1,472,625 shares of no-par common stock, the same amount of cumulative $6 preferred stock at present paying dividends at the rate of $3, and finally a funded debt of $37,672,000.

Earnings have shown great fluctuation. For 1927 an amount equal to $4.27 on the common stock was reported. This increased to $11.18 in 1929, dropped precipitously to $1.93 for 1930, while for the past year the profit after depreciation, depletion, Federal taxes and adjustments was equivalent to only $2.66 per share of preferred stock.

The common stock of the Aluminum Co. of America is currently quoted around $24 a share on the New York Curb Exchange. It is, of course, impossible to recommend it as an investment not only because of the lack of earnings under present conditions, but also because of the film of obscurity surrounding the company and its present financial condition. Nevertheless, it must be remembered that insofar as the Aluminum Co. of America is aluminum in this country, there is something to be said to the contrary. A new metal which has demonstrated already such glittering achievements must necessarily have a future. In addition to which there are other reasons why it is hardly fair to base one's estimation either of the company or its product on the present showing. For example, the stable price at which aluminum sells is normally an advantage, but when other metals with the quality of substitution in many cases can be bought for less than the cost of production aluminum cannot hope to escape entirely the adverse effects.

We may say, therefore, to those seeking an investment that the Aluminum Co.'s common stock is hardly suitable under present conditions. On the other hand it is worthy of consideration by those who believe in the strength of a great name, in a company enjoying a dominant position in its field, with an undeniably broad market and are willing to assume the speculating risk of a commitment for the prospect of long range future gain.

Atchison, Topeka & Santa Fe Ry. Co.

(*Continued from page* 220)

have money left with which to put equipment and other facilities in shape, when there are distinct signs of the depression coming to an end, instead of borrowing on stiff terms, as competitors will have to do if they have any money for these purposes.

In a word—a railroad that is managed as the Atchison is, that is so strong financially, should come through the depression if any railroad does. It should be among the first of the large systems to resume dividends. Consequently, its earnings and securities should be watched by all who want to have a safe investment and make money fast when the time for doing it really comes.

Need Recapitalizations Be Feared?

(*Continued from page* 215)

In general such changes do not affect real equities in any sense but simplify adjustment of the company's operations to a sound level of values. In some cases a wholly justifiable write-down of capital assets could pare down depreciation charges to a point conceivably permitting a showing of several dollars per share in earnings on stocks which now report deficits. Some analysts believe this would be possible in the case of United States Steel.

On all purely bookkeeping adjustments capitalization, the investor need only assure himself that he understands the action taken. As long as dividends are not paid out of capital surplus, thus weakening the financial strength of his company, his real equity will not be changed and probably will actually be somewhat larger than he would suppose from an inspection of present market prices.

A Deadlock at Lausanne?

(*Continued from page* 204)

concessions the most uncompromising nationalists might bolt a mild reparations compromise. It has been proposed that the word "reparations" be abolished from the place it has so long held and replaced with one "donation," for instance that would connote the conferment of a benefit by Germany upon her ancient enemies for the cause of peace, prosperity and good-will. This donation might take the form of a bond issue for a limited amount, secured by the German state railways. The Allies would get the bonds and Germany's fond hopes that they can sell them to chivalrous American investors, more anxious to pacify Europe than to decorate the interior of their purses. Once sold what used to be called the reparations debt would cease to be a political problem. Germany would no longer be obligated to the governments of the Allies; but merely to individual American investors, who are notoriously poor collectors —having a government which helps them get into foreign trouble, but coldly refuses to help them out. Hitler could then boast that his government had wiped out a hateful tribute by converting it into something relishable by Germans, acceptable to the Allies and interesting for Americans to think about in a toothless manner.

Italy, the other great power with much at stake, will probably stand with Germany in favor of formal extinction of the reparations obligation. She desires a strong Germany, a Fascist Germany. Belgium will follow the lead of France, and so will all of France's allies.

On the question of disarmament the Conference may conceivably find some approach to the ultimate adjustment of reparations through the concurrence of the United States. If a tentative agreement can be reached regarding reparations coupled with a policy of reduction of armaments predicated upon corresponding action of the United States in regard to the war debts owed to it, the Allies will have something substantial to offer for consideration by the United States after the presidential election, or at least after March 4, 1933. There has always been an under current of opinion in the United States that this coun-

How Suspension of the Gold Standard Has Affected Exchange Rates of Leading Currencies

Country	Unit	Par of Exchange	Date of Suspension	Rate Prior to Suspension	Rate May 25, 1932
EUROPE:					
Denmark	Krone	$0.2680	Sept. 29, 1931	$0.2172	$0.2009
Finland	Markka	.0252	Oct. 12, 1931	.0251	.0172
Greece	Drachma	.0130	Apr. 27, 1932	.0129	.0064
Norway	Krone	.2680	Sept. 29, 1931	.2169	.1838
Portugal	Escudo	.0442	Jan. 1, 1932	.0313	.0334
Sweden	Krona	.2680	Sept. 29, 1931	.2230	.1884
United Kingdom..	Pound	4.8666	Sept. 21, 1931	4.8494	3.6890
FAR EAST:					
Japan	Yen	.4985	Dec. 13, 1931	.4220	.3163
British India	Rupee	.3650	Sept. 21, 1931	.3593	.2740
Sts. Settlements..	Dollar	.5678	Sept. 21, 1931	.5602	.4231
Siam	Baht	.4424	May 11, 1932	App. .4424	.33 nominal
LATIN AMERICA:					
Argentina	Peso	.9648	Dec. 16, 1929	.9403	.5842
Brazil	Milreis	.1196	Oct. 17, 1930	(No rate quoted, moratorium)	.0736
Chile	Peso	.1217	Apr. 20, 1932	.1205	.0600
Ecuador	Sucre	.20	Feb. 9, 1932	.197	.1680
Paraguay	Peso	(Linked to Argentine peso at fixed ratio, 18.75 to 1)			
Uruguay	Peso	1.0342	August, 1914	(Average for 6 mos. prior, 1.0428)	.4750
Peru	Sol	.2800	May 14, 1932	.2800	.2300
Mexico	Peso	.4985	July 25, 1931	.4905	.2959
El Salvador	Colon	.50	Mar. 12, 1932	App. 0.40	App. 0.40
OTHER COUNTRIES:					
Egypt	Egyptian pound	4.9431	Sept. 21, 1931	4.9737	3.7836
Australia	Australian pound	4.8666	December, 1929	3.7303	2.9520
New Zealand	N. Zeal. pound	4.8666	Aug. 5, 1914	4.4687	3.4000

Countries Not Officially but Practically Off the Gold Standard

The following countries have not suspended gold payments by specific legislation, but as a result of stringent foreign exchange regulations the gold or gold exchange standard has been practically suspended:

Country	Units	Date of Adoption of Regulations or Banking Practice	Par Exchange	Rate Prior to Adoption of Regulations	Rate May 25, 1932
Austria	Schilling	Oct. 9, 1931	$0.1407	$0.1392	$0.1397
Bulgaria	Lev	Oct. 15, 1931	.0072	.0071	.0072
Czechoslovakia ...	Crown	Oct. 2, 1931	.0296	.0296	.0297
Germany	Reichmark	July 13, 1931	.2382	.2369	.2366
Hungary	Pengo	Aug. 7, 1931	.1749	.1745	.1743
Rumania	Leu	May 18, 1932	.0060	.0060	.0060
Yugoslavia	Dinar	Oct. 8, 1931	.0176	.0177	.0173
Canada	Dollar	Oct. 19, 1931	1.0000	.8839	.8725

(Gold exports officially prohibited from Oct. 19, 1931, to March 1, 1932, unofficially restricted since that date.)

				Last rates received	
Venezuela	Bolivar	(No date assignable to de facto inconvertibility)	0.193		0.164
Nicaragua	Cordoba	Nov. 13, 1931	1.0000	(No exchange rates available)	
Costa Rica	Colon	Jan. 16, 1932	.25	App. 0.228	.235
Colombia	Peso	Sept. 25, 1931	.9733	.9657	.9524
Bolivia[1]	Boliviana	Sept. 21, 1931	.365	App. .34	.2427

[1] Bolivia has authorized its central bank to suspend convertibility of its notes, but the bank has been meeting practically all demands in certain categories for foreign exchange at rates substantially in keeping with the depreciation of the British pound.

Courtesy, Department of Commerce.

KEEP POSTED

The pieces of literature listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them by number. We urge our readers to take full advantage of this service. Address Keep Posted Department, Magazine of Wall Street, 90 Broad Street, New York, N. Y.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing their booklet to investors. (225).

A COMPLETE FINANCIAL LIBRARY IN 8 VOLUMES
These eight standard books, published by The Magazine of Wall Street, cover every phase of modern security trading and investing. Available at new low prices. Write for descriptive circular. (752).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

"TRADING METHODS"
This handbook, issued by Chisholm & Chapman, contains much helpful information for traders. A copy together with their Market Letter will be mailed upon request. (785).

INVESTMENT PROFIT INSURANCE
The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

"A CHAIN OF SERVICE"
Describes and illustrates the history and development of the Associated Gas & Electric System. (884).

ELECTRIC BOND & SHARE CO.
Full information or reports on companies identified with Electric Bond & Share Co. furnished upon request. (898).

"WHAT IS A SAVINGS & LOAN ASSOCIATION?"
This booklet explains savings—instalment and income shares. The Serial Building, Loan & Savings Institution will be glad to send a copy upon request. (918).

MISSOURI PACIFIC LINES
Information concerning freight and passenger service sent upon request. (920).

"USING THE PLOW IN INVESTMENT"
Is the title of a descriptive circular just issued by the Credit Service Associates, copy of which will be mailed upon request. (926).

Bank, Insurance and Investment Trust Stocks

Quotations as of Recent Date

BANK AND TRUST COMPANIES

	Bid	Asked
Bank of N. Y. & Trust Co. (18)	215	235
Bankers (3)	36½	38½
Brooklyn (16)	131	146
Central Hanover (7)	83½	87½
Chase (2)	22½	24½
Chemical (1.80)	28	30
City (3)	26½	28½
Corn Exchange (4)	40	43
Empire (2)	14½	16½
First National (100)	870	970
Guaranty (20)	191	196
Irving Trust (1.60)	13½	14½
Manhattan Co. (2)	14¾	16¾
Manufacturers (2)	17¼	19¼
New York (5)	56½	58½
Public (2)	16¾	18¾
United States Trust (70)	925	1025

INSURANCE COMPANIES

	Bid	Asked
Aetna Fire (2)	15¾	17¾
Aetna Life (1.20)	12¼	14¼
Carolina (1.50)	6½	8½
Continental (1.60)	5	7
Glens Falls (1.60)	27	29
Globe & Rutgers	36	51
Great American (1.60)	5⅞	7⅞
Hanover (1.60)	13	15
Hartford Fire (2)	21¾	23¾
Home (2)	7⅛	9⅛
National Fire (2)	19¼	21¼
North River (1)	5½	7½
Stuyvesant (1.50)	..	8
Travelers (22)	263	288

INSURANCE COMPANIES—(Continued)

	Bid	Asked
United States Fire (1)	8½	10½
Westchester	5¾	7¾

SURETY AND MORTGAGE COMPANIES

	Bid	Asked
American Surety	8¼	12¼
Bond & Mtg. (5)	19	22
Lawyers Mortgage (1.40)	4⅝	6⅝
National Surety	4½	5¼

JOINT STOCK LAND BANKS

	Bid	Asked
Chicago	¼	..
Dallas	2	..
Des Moines	1	..
First Carolina	1	..
Lincoln	2	6
Southern Minnesota	..	1
Virginia	.20	.40

INVESTMENT TRUST SHARES

	Bid	Asked
Amer. Founders Trust 6% Pfd	10	14
Do 7% Pfd.	10	14
Diversified Trustees Shares A	4⅞	..
Do Series B	3¾	..
Fixed Trust Shares A	4⅝	..
Interl. Sec. Corp. of Amer., Pfd.	6¼	11
Do Cum. Pfd.	6½	11
No. Amer. Trust Shares	1.45	..
Second Intl. Securities A	⅝	1⅝
Do 6% Pfd.	12	18
U. S. & British Internl. Pfd	4	8
U. S. Electric Lt. & Pr. "A"	9½	11½
Universal Trust Shares	1⅜	1⅞

try would consider revision of the political debts if it were coupled with sweeping reductions of armaments and military budgets. It has seemed absurd to most Americans for Europe to plead poverty and the desperate need of economic stabilization as a reason for cancelling or reducing her obligations to us, amounting now to only 250 million dollars a year, when she is spending ten times as much in non-productive outlays; outlays to pay for future wars and, in a sense, to bring them on.

But one thing regarding these debts seems certain to happen. The Hoover moratorium of one year all around is about up, and in December the Allies will be called upon for their next annuities according to the terms of the agreements. Whatever else may happen it is indisputable that the Allies will receive nothing from Germany this year and probably not for many years. They will soon, therefore, be confronted with a decision whether to pay or default. They will certainly first ask for another extension. Political difficulties in this country will apparently preclude any composition in time. The present Congress has tied the President's hands to such an extent that he cannot even discuss the subject. The Congress to be elected this fall will not come into office until March 4. So, the Allies must default in December or pay war debts without being paid in turn. Such a decision is of more than conversational interest to us, for the balanced budget Congress is now effecting is predicated upon some 250 millions of receipts on account of the political debts.

The Lausanne Conference may have some value as a preliminary to the world economic conference that England now proposes for dealing with the price level subject. All Europe is eager to get the United States into a conference. Absent at Lausanne, we may find ourselves in attendance at an adjourned Lausanne conference under a more fragrant name. If the Europeans are right in their contention that the actual payment of reparations and our war loans is as unsettling as international exchange as the endless bickering over revision and cancellation the price and monetary problem can hardly be dealt with effectually if the international debts are ignored.

All in all, we are regretfully forced to the conclusion that Lausanne will be just one more conversational tournament though bitter and ultimate. Conversation is not always without value. What is said and possibly hypothetically agreed upon at Lausanne may be a step toward an ultimate adjustment. But what Europe requires above all is immediate and final decisions, decisions that will shape events. Otherwise the events may decide. If Lausanne fails, as fail it must in respect to decisive action, the next European conference may meet not to deal with present problems, but new ones that will arise from accomplished facts that will make all Treaty of Versailles problems as dead as those of the treaties that ended in the moth eaten documents of the Congress of Vienna in 1814 or that of Frankfurt in 1871. Hopes that Lausanne will affirmatively contribute to an improvement of the world's poor estate are doomed to disappointment.

Americans must cease looking to Europe for nostrums for economic ills. We can achieve a large measure of recovery without Europe. Europe can hold us back, but it can not do much to help us forward. Lausanne will probably give us no cheer but it should not give us a shock. Events may deal us another blow from Europe, but they will not issue from the devious deliberations of Lausanne.

Wages and Profits

(Continued from page 235)

profits which are absolutely vital in a capitalistic state of society would be preserved.

Let us again look at the railroads and suppose the above arrangement could be carried out; the companies instead of cutting expenses and firing men would find that owing to a considerable reduction in payrolls, it would still be possible for them to make profits and yet to buy all kinds of supplies. Another reason, of course, would be that if all wages were reduced, then the needed supplies would cost less than before. The men instead of losing their jobs would be retained at the lower pay, and the railroads instead of adding immensely to the depression as they are doing now would continue to operate normally.

There are two great classes of people, namely workers and capitalists. The wages of the one and the income of the other all come from profits and if profits dry up then a country is in exactly the condition in which we find ourselves today, a state of intense depression, and that depression is going to continue until the natural and only cure is applied and that is a drastic reduction in the costs of doing business which will restore profits to the high place which they must occupy before it is possible for us to get back our former prosperity.

A drastic reduction in the cost of doing business means only one thing, and that is a considerable reduction in wages of all workers including soldiers,

sailors, school teachers, policemen, firemen, and all other workers, but especially and particularly, wages in the building construction trades which are so high that they practically prohibit building operations.

In order to induce a man to invest his money in a building today, costs must be reduced and it would be a thousand times better for the building trades workers to reduce wages and go to work than to remain idle at home.—EDWARD BANKES, River Forest, Ill.

Trade Tendencies

(*Continued from page* 236)

orders on hand amounting to only 25% of those at this time last year. Foundry activity for the country as a whole is only a fraction of that which prevailed in 1931, and last year's operations were abnormally low. Marked stability, however, has been evidenced in the demand for boiler and other combustion equipment; nevertheless, profits in this branch are negligible. Oil rigging and supply firms have been adversely affected by the restriction in well drilling and by the smaller needs of refineries for new equipment. Pump manufacturers are showing huge deficits. Automobile machinery production is concentrated among the larger companies and the smaller firms making machine parts and automobile tooling products have suffered greatly. In recent months makers of large and very heavy machinery have noted an unusual drop in new orders. Because of the fact that a large plant and overhead are needed in this industry, operations become unprofitable as soon as a volume basis is lost. As machinery demand is dependent mainly upon plant expansion, which usually occurs at the end phase of a business boom, no near term improvement may be expected.

Foodstuffs

Conditions Spotty

Grain prices have shown heaviness, with the exception of wheat. Corn quotations have receded steadily in the past three months and latterly have shown pronounced weakness, chiefly because of the drastic slump in hog prices. Other grains have varied little, except rye, which appears in a better statistical position than at this time last year.

Livestock prices have dropped severely. Quotations for cattle, calves and sheep have been weak. Hog prices, however, have broken wide open in the past several weeks, and the hog futures market at Chicago had to be closed as the violent drop, which seemingly could not be checked, precluded hedging operations.

Coffee quotations have held steadily, but only at the expense of further destruction of part of the crop by the Brazilian Government. Shipments to the United States in the past few months have been dropping. Sugar prices on the New York Coffee and Sugar Exchange have become firm, following the recession of last month. Better demand for the refined product in recent weeks appears to mark the turning of the corner.

Manufacturers of standard branded products have not suffered nearly to the extent that wholesale and primary produce distributors have. Prices have been held up, and the mild drop in second quarter income has been because of smaller sales. Most food companies, with the exception of canning concerns, are still making fairly good revenues and the outlook is for a continuance of profitable operations.

Tobacco

Sales Uptrend Checked

Formerly regarded as practically "depression-proof," the tobacco business has at last commenced to feel the effects of the depression. In April, 1932, cigarette consumption was 7.6 million small cigarettes, compared with 9.5 million in April of last year. In each of the first four months of the current year cigarette tax-paid withdrawals have been far less than in 1931, and it is almost a certainty that profits for the full year 1932 will range far below last year's record income. Advertising expenditures by the larger tobacco companies have been considerably less this spring than last year but the major cause of the drop in sales has been the ever-increasing hardship experienced by the consumers. As cigarette consumption is habitual in character, adjustment of prices to secure a greater return would fail—if raised, gross revenues would fall, and if lowered, sales would not be stimulated sufficiently to compensate for the mark-down. Although the upward growth of cigarette sales has been checked temporarily, any turn for the better in public buying power should bring about a rise again.

Manufactured tobacco and snuff have shown no change from demand enjoyed at this time last year, largely because normal decliness have been by inroads into the cigarette field. As a rule no monthly variations in the past few years have been discernible, and economic conditions do not seem to change sales volume. Large cigars, on the other hand, have suffered drastic losses, and cigar firms formerly making handsome profits have been forced to see their sales drop steadily, until now income is, in many cases, barely enough to permit operations to break even. As cigars are more or less a luxury product, no near-term improvement can be expected. An additional drag upon cigar profits has been the tendency to cut prices, contrary to the practice of cigarette and snuff companies and this action, combined with lower probable summer sales, may cause deficits for some cigar makers.

For Profit and Income

(*Continued from page* 233)

but were the country to abandon the gold standard it might well be an absolute physical impossibility for the individual to obtain gold, to say nothing of the fact that dealings in this metal under such conditions are usually prohibited by special law. Also, it must be remembered that the obligations technically payable in gold now total a very large amount. Indeed, so large is it that were gold obtained in payment of them under a state of affairs where gold was preferable to currency and was therefore hoarded, the country's stocks of metal would soon be exhausted. Further contracts would be unenforceable and it therefore seems obvious that should the country abandon the gold standard the gold clause will afford little protection to bondholders regardless of their strict legal rights.

Railroad News

Everyone knows that the railroads of the country have been harder hit perhaps than any other division of industry. Yet, it might well be asked what has become of the freight increases which were allowed a few months ago. It appears that as the volume of traffic declined the competition for the residue became keener than ever. The roads among themselves, and trucks and canals, bid merrily for the business and rates in many instances, instead of being higher, are now actually lower. And so does a bad situation become worse. It is said that unless a miracle occurs the carriers will be obliged to ask for another wage reduction of perhaps as much as 20% at the expiration next February of their present contract with labor.

"Tips" on Books

Book Review Section of The Magazine of Wall Street

THE ROAD TO RICHES

By Joseph Stagg Lawrence

Doubleday, Doran & Co., Inc.

THE ROAD TO RICHES by Joseph Stagg Lawrence is about what one would expect of a book described as a "short, sound perspective of economics for the business man, the investor or the worker." It is indeed short, for the most part sound and, if its lightness appears at times somewhat forced, the appeal to the business man, the investor or the worker will probably be none the less on this score. Perhaps the book's greatest fault is that it leaves the reader with the impression of having been present at a motion picture performance where none of the films was complete. Nevertheless, many of the scenes are interesting and valuable. The theory that value is determined by the psychological vagaries of the market to the exclusion of all else is logically advanced, although it is to be doubted whether all other theories of value are as foolish as Mr. Lawrence would have us believe. On the other hand, in his chapters on gold and credit the author is less logical. Why, in one place sneer at the world's abandonment of the gold standard in contrast to our own righteousness, while in another serenely admit it is only by the grace of God that we are still on it? We also find his criticism of the Federal Reserve System distorted, although in the same part of the book there is undoubtedly much excellent and easily assimilated advice to the individual depositors of our banking system. The high price paid by a purchaser on the installment plan and the necessity for a workman to build reserves are two other exceedingly well made points which should be widely read and followed. On the whole, while there is considerable chaff among the grain in *The Road to Riches,* the latter predominates sufficiently to make its reading worthwhile. H. R.

MONEY FOR TOMORROW

By W. E. Woodward

Liveright, Inc.

WITH W. E. Woodward's contribution to the prodigious number of books inspired by our economic dilemma, it now seems, to this reviewer at least, that everything possible has been written about the subject. However, we may yet hear from A. A. Milne and P. G. Wodehouse.

"Money for Tomorrow" is a book that should find considerable favor with the reader who shies at economic treatises as being beyond the range of his understanding. In making the book understandable and intensely interesting, however, Mr. Woodward has not sacrificed veracity and common sense. If the proposed remedies seem unusual and radical, it is probably because they are new and untried. Confronted with our economic debacle as it exists today, it would be presumptious to disregard Mr. Woodward's panaceas as being unfeasible, when the acceptable aids of more profound economists have failed dismally.

Mr. Woodward's introduction affords an excellent clue as to the contents of the book. He says "I hope to God nobody will enjoy reading this book" . . . . "I don't want to be clever, amusing, or brilliant. All I want to do in these pages is to present a handful of facts and four or five ideas, but I want to make them so hard and gritty that you are not likely to forget them." The book successfully does just that. Such pertinent subjects as the tariff, foreign obligations, industrial equilibrium, unemployment and credit are treated in a manner to provoke thought and discussion.

The book has been given an authoritative benediction, in a manner of speaking, by two well-known economists and is augmented by an appendix containing a number of pointed criticisms of Lawrence Dennis, who has a wide reputation as an expert in banking technique, together with Mr. Woodward's comments on them.—C. H. O.

Facts, News and Comments

Savings and Loan Week is to be observed generally throughout New York State from June 6 to 13, inclusive.

In announcing the designation of the week on behalf of the savings and loan associations in New York City, James F. Nathan, president of the Serial Building Loan & Savings Institution, said:

"It is the belief of the leaders in the savings and loan movement in this state that the best way to bring about the return of normal times is to go out actively and confidently in an effort to create opportunities to perform a constructive business service. They believe it is time for business and professional men to get busy, instead of sitting back and moaning over 'hard times.'

"During 'Savings and Loan Week' it is our intention to carry the 'Let's Get Busy' slogan into the home of every one of our members, and, in co-operation with them, to bring it to the attention of many times the number of persons who now have the advantages of savings and loan membership."

* * *

A panoramic history of seventeen years of bank advertising is to be shown in one of the feature exhibits at the 17th Annual Convention of the Financial Advertisers Association at Chicago, September 12 to 15, inclusive. It will show the development of bank advertising as to quality and quantity, and will be arranged by a committee headed by Henry Parker, advertising manager of the Detroit Savings Bank. Following the convention, the display will form the nucleus of a permanent exhibit in the central office of the association at Chicago.

* * *

Because of the volume of new orders on hand, the Stutz Motor Car Co. of America, Inc., which for the past six months has been operating on a 5-day weekly basis, has resumed its 6-day schedule, according to E. S. Gorrell, president of the company. Some departments will operate seven days a week.

* * *

Announcement was made recently of a new process of cracking and reforming gases which appears to offer attractive economic savings to operating gas utilities, the development of research engineers of Phillips Petroleum and its subsidiary, Philgas Co.

For Features to Appear

In the Next Issue

See Page 195

INVESTMENT MANAGEMENT SERVICE

90 BROAD ST.
NEW YORK, N.Y.

An open letter --

TO INVESTORS WHO HAVE DECIDED TO SIT TIGHT

Many investors believe that their security holdings have depreciated to such an extent that their only course of action is to hold on to what they have and wait for recovery. The fallacy of this reasoning is now apparent to stockholders of those companies which have gone into receivership during the past few months. The portion of their capital invested in such companies may never be regained.

It is quite possible that some of the securities you are holding for ultimate recovery may never recover. Still you have an opportunity to regain your capital, despite the fact that you may have a substantial loss -- but only if it is reinvested in securities offering definite possibilities for recovery.

If you will send us a list of the securities in your portfolio at present we shall be glad to examine it and tell you how, through our personalized counsel, we can assist you in avoiding permanent loss. We will also explain how we can help you in more speedily building up and maintaining the value of your invested capital, as well as your income.

There will be no cost or obligation, and the information you submit will be held in absolute confidence. Just send us your list, designate the amount of cash available for additional investment, and acquaint us with your investment requirements and objectives.

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of WALL STREET